

# The history of british petroleum management essay



Globally, the oil and gas industry has had major accidents over the past 25 years. In August 1884, 36 workers drowned in an explosion and fire on the Petrobras platform in the Campos Basin off Brazil. March 1980, saw the death of 123 people during the breakup of the Alexander Keiland oil rig in the North Sea. In September 1982, US oil rig Ocean Ranger keels over in the North Atlantic, killing 84 people. The world's worst oil rig disaster which happened on July 1988; sees 167 people killed when Occidental's Piper Alpha oil rig explodes in the North Sea after a gas leak. Then in January 1995, 13 people were killed and many injured in an explosion on a Mobil oil rig off the coast of Nigeria and in March 2001, an explosion hits the world's largest offshore oil platform, owned by Brazil's state oil firm Petrobras. (Ngoil&gas.com).

The dangers in the oil and gas industry have not changed much since the first oil well was drilled and the first barrel of oil refined.

This paper analyses the " Organizational behaviour issues at BP that contributed to the 2010 Deepwater Horizon disaster". The introduction gives a brief history of BP and its operations. The problems identified in this case study can be grouped into two (2) categories namely; immediate causes as well as remote causes. An immediate cause that brought about the disaster was the desire by BP to cut cost as against the safety of its members. This however led to poor culture that BP had, lack of proper Structure, communication breakdown and bad Decision making on the part of its Management team as well as negligence. Remote factors leading to the disaster were the Gamut of the operation and the failure of government regulatory bodies to regulate BP. For the purpose of this I will limit myself to <https://assignbuster.com/the-history-of-british-petroleum-management-essay/>

the immediate factors leading to the disaster and further use my findings to generate and evaluate some solutions and make some recommendations.

## INTRODUCTION

According to the history of British Petroleum, exploration of oil started as far back as 1901 right through to the new millennium era which moved through different phases and stages. The Company provides its customers with energy for heat and light, lubricants and the petrochemical products used to make everyday items like plastic bottles fuel as well as for transportation.

The business model of BP is to create value across the entire hydrocarbon value chain. This starts with exploration and ends with the supply of energy and other products that are fundamental to everyday life (Reuters. com). The table below shows the cycle of this model.

Integrated model graphic

[www. bp. com](http://www.bp.com)

As a company that started off with a history of safety in its initial stages; deviated from its safety conscious nature and turned its entire attention towards money. Immediately when the focus of attention shifted to profits and market share increased, safety was left to lapse and the accidents started piling up. BP's espoused value was first monetary before that of the safety its workers and this led to lower safety standards as well as poor maintenance. Various groups had criticized the cost-cutting as " risky" and employees were extremely critical and worried about the safety standards at the refinery.

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Looking back at the history of the company, it can be said that the company that had been a relatively sleepy oil company had been transformed chiefly through aggressive mergers and cost-cutting. Majority of BP's CEO all pursued a similar agenda which was pushing for higher profit margins and slashing safety budgets. The cause of this disaster concerns not only the immediate factors raised in the abstract but also concerns business ethics, leadership and corporate responsibility which goes as far back, to a point at which executives of BP simply wanted to reposition and redefine the company this they did chiefly through strict cost cutting measures.

On April 20th 2010, the Deepwater Horizon oil refinery exploded, spewing at least 3 million barrels of oil into the Gulf of Mexico, killing 11 and injuring 17. This was the greatest environmental disaster ever recorded in American history. An argument could be made that oil and gas disasters like the deepwater explosion could happen to any oil company and since the time the first oil was drilled till date that occupation remains a risky and dangerous one to be sure. BP for many years publicly claimed to be highly focused on health and safety; but it was clearly focused on cutting cost at the expense of safety inside the company. The pressures from executive managers of the BP Group further aggravated the process of safety performance which made them take drastic measures to implement strict cost cutting measures.

**BAD LEADERSHIP AND BUSINESS ETHICS** BP's horrible mishap after the Deepwater Horizon rig exploded according to the Ivey Business Journal were almost predictable, given the level of arrogance and deceit that executive actions had encouraged as well as its bad leadership style for managing <https://assignbuster.com/the-history-of-british-petroleum-management-essay/>

disasters. BP might have avoided further damages to the image of the company if only it had respected best practices for managing a crisis. Its leader lacked leadership qualities and were ineffective in handling the issues arising from the disaster tactfully. According to Buchanan and Huczynski (2010), leadership appears to be a critical determinant of organizational effectiveness. If any organization wants to grow and succeed; then that company must have an effective leader to take good decisions for the betterment of its company. In modern studies of organization and management there is acknowledgement that power alone cannot secure compliance, unless it has resonance with shared values, it is unlikely to blossom into sustained leadership. In this context, there is the need for inspiration which is as important as perspiration; but to sustain change, BP has to balance its vision with a realistic analysis and a determination to make things happen. To be able to lead, one must have a following who should have shared values. BP's leadership style was so weak this was evident in the CEO wanting his decisions to be taken at all cost without objections.

According to the United States Occupational Safety and Health Administration (OSHA), out of 761 citations it issued to refineries for what it labels "wilful and flagrant violations" of safety and health standards, BP was named 760 times out of its total. It described BP as having "demonstrated either an intentional disregard for the requirements of the Act or a sheer indifference to employee safety and health or. BP had been cited Occupational Health and Safety Administration far more often by the for safety violations than any other company even before Deepwater

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Horizon. The leadership of the company had no regard for business ethics and did not care about the kind of corporate image they put out there to an extent that BP was named a “ serial environmental criminal.” by Scott West, a former EPA official is absurd.

While oil companies like Exxon responded to the 1989 Valdez spill by tightening safety and bringing more operations in-house, BP let safety lapse by outsourcing more and more of its work. Any company with a good leadership as well as business ethics will take responsibility for their actions and not seek to all companies associated to them down with it like BP tried to do. BP tried to shift blame onto companies like Halliburton (HAL) and Transocean (RIG) and this was totally out of place. To an extent we can blame the drilling services corporation Halliburton and the shipping company Transocean and for not doing what was right, but most of the responsibility ultimately falls on BP. The management of BP failed to act wisely.

## **ORGANIZATIONAL STRUCTURE**

Having a formal arrangement of task, communication and authority that influences and control how people co-ordinate and conduct their work is good in organizations to enable them achieve their objectives. Structurally integrating these differentiated actors and their activities and implementing mechanisms to enable constructive co-ordination and control is a challenge (Jones, 2004). Bp had a problem differentiating the tasks that various individuals and groups in specific subunits and at particular levels had to perform. Looking at BP; there was not a formal organizational structure and employees found it difficult to know who they officially had to report to in different situations and it was also unclear exactly who had the final

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responsibility for what. Organizational structure should improve efficiency operationally to employees at all levels by providing clarity in their day to day activities but this was not evident in BP.

Developments in the early 20th century in scientific management associated with names such as F. W. Taylor (1911), L. Urwick (1929) and Henry Fayol (1916), gave great support for bureaucratic systems of organization for their efficiency, stability and the elimination of waste. BP had a tall Organizational Structure in which there were numerous layers of management in the structure, and often inefficient bureaucracies. In this tall structure, managers were making most of the operational decisions, and authority must be gained from several layers up before taking action which slowed down the process of getting things done where as lots of decisions were stopped dead in its tracks. Information flows were generally one-way in BP'S tall structure - from the top down. The large and complex organizational chart and structure of the company did not help them achieve their goals effectively. Power was so much vested in minority groups which made it difficult for proper cohesion among members in other groups or units. BP made use of the mechanistic approach which was centralized with strong hierarchical structure of authority although, at a point the CEO tried to decentralise the already centralised structure in BP and introduce the organic approach. Even with clear goals and effective leadership as well as positive mission statement, a company is heading for failure with a bad organizational structure.

**ORGANIZATIONAL CULTURE** In most contemporary organizations, corporate culture receives a lot of attention and is seen as crucial. However, even in those cases where top managers have a strong awareness of the <https://assignbuster.com/the-history-of-british-petroleum-management-essay/>

significance of culture, there is often a lack of a deeper understanding of how people and organizations function in terms of culture (Alvesson 2002: 1). Deal and Kennedy (1982) argue that culture is the single most important factor accounting for success or failure in organizations. They identified four key dimensions of culture: Values - the beliefs that lie at the heart of the corporate culture, Heroes - the people who embody values, Rites and rituals - routines of interaction that have strong symbolic qualities and The culture network - the informal communication system or hidden hierarchy of power in the organization. Deal and Kennedy cite the Tandem Corporation in Silicon Valley as an example of a company with a strong culture. The company ethos is that people are hugely important. This is conveyed in a number of slogans that all the employees are of and believe in. BP in the Deep water disaster failed to exhibit the four key dimensions of culture mentioned by Deal and Kennedy. The BP Board of Directors did not provide effective oversight of BP's safety culture.

According to Gordon and DiTomaso, strong culture is said to exist where staff respond to stimulus because of their alignment to organizational values. In such environments, strong cultures help firms operate like well-oiled machines, engaging in outstanding execution with only minor adjustments to existing procedures as needed. Conversely, there is weak culture where there is little alignment with organizational values, and control must be exercised through extensive procedures and bureaucracy (Gordon and DiTomaso, 1992). BP's had a weak culture which imposed rules strictly on the employees and created diversity between employee's personal objectives and organizational goals. BP's weak culture led to management



putting profitability and good business performance ahead of the safety of its workers. The downside of their weak culture led to unbalanced forms of power, which excluded individuals and teams from decision-making.

To fully understand the meaning of culture, Schein, (1999) characterizes organizational culture as consisting of three levels. The first level, the behaviour and artefacts level represents the most visible level, which is characterized by our behaviour and artefacts around us. This observable level of culture consists of behaviour patterns and outward manifestations of culture. These cultural characteristics can be observed in the dress codes, and levels of technology, the attitudes and behaviours of the people as well as the physical layout of the work environment. The second level the espoused values of an organization to a large extent determine behaviour and the third level the basic underlying assumptions -the taken for granted assumptions Schein, (1999). These values are not observable as our physical behaviours and artefacts. BP's espoused value was to make profit at all cost.

BP's reaction to their disaster, speaks much about their organizational values, norms and culture. Crises situations in the organization tend to bring out the organizations core values. Schein, (2004) opines that " when an organization faces crises, the manner in which leaders and others deal with it creates new norms, values, and working procedures, and reveals important underlying assumptions. BP's disaster generated a great deal of attention and emotional involvement for those associated with the organization, particularly when it threatened the survival of the organization. In BP'S situation, the meaning of the deeper levels of culture - artefacts (the level where culture becomes clear and has immediate emotional impact), <https://assignbuster.com/the-history-of-british-petroleum-management-essay/>

espoused value - (what the organization's values are), and the basic underlying assumptions - (the taken for granted assumptions) of the organization were truly exposed.

**COMMUNICATION BREAKDOWN AND BAD DECISION MAKING** Communication is the process by which people convey and receive information to and from each other. Decision making has been described by Martin and Martin (2010) as a process which represents a means of selecting a particular course of action from among options available. Both communication and decision making processes are essential for organizations. Kar (1972) estimated that between 40 and 60 per cent of work time in a typical US manufacturing plant involved some phase of communication. In BP due to its tall organizational chart; there was no free flow of communication and this made information that went around lack accuracy, reliability, validity, adequacy as well as efficiency. There was no clear cut communication line in the company. The people in the field were not being listened to by those in the boardroom. It is clear that decision making is of fundamental importance for organizations but in BP people were over worked and managers were distracted and decisions that needed to be made were not recognised as unique and requiring active attention. Individual managers as well as groups or units fell back on individual or collective standard routines and responses rather than active and reflective considerations. BP used more of bounded rationality approach a behavioural model of decision making which describes the ways in which both internal and situational factors limit human decision makers' effort to behave perfectly rationally (Simon, 1957). This made it difficult for them to act as maximizers or optimizers in their work.

LEARNING Lorenzoni and Lipparini (1999) consider the ability of organizations to access and utilize knowledge that is located both within and outside the organization as a distinct capability that underpins an organization's quest to achieve a more sustainable competitive position. Kanter (1994) refers to this organizational capability as its collaborative advantage which is recognized by Limerick et al. (2000) as a core competency of a learning organization.

BP's various disasters should have offered the organization Learning Opportunities and created a window of opportunity during which changes can occur. But BP did not about its problems which further culminated into series of disasters. Thus, organizations responding to disasters learn in leaps -crisis by crisis- rather than smoothly over time (Carley and Harrald, 2008: 107). Crisis viewed as the result of a series of accidents and disruptions that are the necessary conditions for transformation. In such a context crises may be an interesting angle to study changes and organizational learning in the organization (Forgues and RouxDuffort, 1998: 18). To prevent similar crisis, which can happen near future, organizations should learn the lessons from past crisis. By learning from experience, you can make sure the same mistakes are not made (Strategic Direction, 2007: 28).

Learning requires feedback in theory. Organizations learn to increase the accuracy of their response and improve their performance through feedback. In all learning theories, feedback that enables performance improvements is of a form that allows a determination of " how close are we to the goal?" The more accurate feedback, the more rapid feedback, the better organizational performance (Carley and Harrald, 1997: 107). BP lacked a learning culture <https://assignbuster.com/the-history-of-british-petroleum-management-essay/>

and they did not create an environment conducive enough to support learning. Numerous surveys, studies, and audits identified deep-seated safety problems, but the response of BP managers at all levels was typically “ too little or too late.”

RECOMMENDATION In recommendation, the poor safety culture at the refinery should be improved by periodic testing of machines. A proper work schedule should be worked out to prevent fatigue. Safety training at the refinery should also be addressed. More hands should be employed and if possible a shift system be introduced.

**Furthermore, when there is communication breakdown in an organization, things are left hanging. Employees look to the structure of the company to guide their production and their everyday tasks. When they aren't told about changes because of inaccurate or missing information, every department is affected. An appropriate chain of command, defined systems of how information is passed on through the company and effective tools for getting information out are vital to maintain the flow of business that leads to profits.**

Again, BP lacked Organisational learning and as Senge (1990) puts it; there is the need for corporations to focus on “ generative learning” which is about creating and developing new ways of looking at the world as well as “ adaptive learning” which is about coping. Having that learning environment makes a company easily adapt to different situations.

Finally, there is the need to develop a strategy that encompasses and connects all the processes of work between all the organizational functions of a company. When one aspect of the organization is not working, it

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destroys the entire body. A complete organizational structure takes into account placing the right people in the right jobs, providing incentives that work, effective business controls and having sufficient resources to fulfil its obligations.

CONCLUSION BP engaged in weak organisational practices. They were too set in their ways which made them mechanistic. The organisational structure that existed made it very difficult for them to deal with unexpected expediencies. For any company to be successful and to gain competitive advantage over other businesses; there must be a blend of structure, culture, communication and decision making, good leadership as well a good learning culture.