

British petroleum: unethical issues



**ASSIGN
BUSTER**

Referring few frequently use terms in business ethics as in, this report stressing on business ethics. Based on Crane and Matten in definition of business ethics, it is the study of business situation, activities, and decisions where issues of right and wrong are addressed. In a normal context, a situation cannot be considered unethical if it is not violating the law but a situation can be equivocal when conflict happened among ethical values.

Importance of Business Ethics

Ethical practices in business are important because business's power and influence is greater than before. (Crane and Matten, 2010) Based on Laczniak and Murphy (1993, p. 5), consumer will have more impression on businesses that practice ethical practices in business. Based recent research of Belak and Rozman (2012), company that practices ethics will have better image and reputation. Then, it brings long term interest.

Ethical practices help business to meet stakeholder's expectations more effectively while stakeholders demand going more complicated and hard to achieve. (Crane and Matten, 2010) Based on the research of Holme (2008) on business ethics, he listed out few advantages of business in being ethical. He linked up the relationship between employee satisfactions levels with financial result of company. Higher satisfaction level of employee results in better financial result.

Further, a company that practices ethics in business gains trust from suppliers. He further explained that a company practicing with ethical culture will influence employee to support on the company. It will influence

employee to react with strong motivation and performance which is crucial to gain customer approval.

Company Background

British Petroleum, British international oil and gas companies headquartered London, UK. Based on CNN's Global 500 ranking of world corporations (Refer appendix B), BP ranked 4th largest company in the world and 3rd largest energy company. (Fortune, 2012)

Nature of Business

BP seeks to provide energy sustainably with its upstream and midstream active in 30 countries. BP works on finding, developing, and moving resources then produce and marketing the products. (Refer appendix C) Whilst providing energy and daily use products, BP investing on alternative resources, the sustainable energy with low carbon especially bio-fuels, solar and wind energy.

Industrial Practices in Ethics

As an international oil and gas company, decision made by the company often involve many parties and might brings serious consequences. There are ethics issues bothering BP in past few years, the human right and environmental issues. Based on BP's sustainability review of 2011, the company emphasize in enhancing safety and risk management in order to gain back trust from the previous accident in Gulf of Mexico. BP also continue working with safer drilling, avoiding environment pollution and restoring the environment resulting by deepwater horizon oil-spill.

One of the industrial practices by BP in ethics is to treat people fairly and strictly eliminate child labour and forced labour. Bribery and corruption is prohibited in BP and the company seeks to not obey law. (BP Code of Conduct, 2011)

BP invested in cleaner and greener energy helps preserving environment for future. Besides, BP communicates with local community groups to avoid and minimize impact on their life. BP also helps in creating jobs. They use local suppliers and support community development.

Ethical Dilemmas

BP's stakeholders are the local communities, customers, employees, shareholders and analysts, governments and regulators, industry and non-government organizations. (Stakeholder engagement, 2012) In this case, stakeholder analysis is used to find out the interests of stakeholders affected by environment pollution caused by BP. How the environment pollution has impacted BP stakeholders will discuss later.

Local Communities

Based on an article of George in 2003, he emphasized the importance of taking interests of local communities while making decision. Supporting on local communities brings advantage of getting support from them in terms of supporting company's activities, as well as attracting and retaining good employees.

Out of so many of the ethical issues, environment pollution is the issues that BP often encountered with. For example the Columbian pollution on

farmland, Texas City chemical leak, and the recently deepwater horizon oil spill.

The blowout of deepwater horizon rig in April 2010 has been commented as the worst oil-spill in history of US (BBC, 2010). The accident has killed 11 crew members on the rig and the rig sank two days after the explosion. The sank rig leak gallons and gallons of crude oil into sea and the leaking of oil from the exploded Macondo well polluted Gulf of Mexico and other 5 nearest gulfs, Mississippi, Florida, Alabama, Louisiana and Texas, causing environment pollution. The incident became the biggest issue faced by BP.

Environment pollution that mostly faced by BP is the pollution caused by oil-spill. The pollution has caused damage on wildlife and eco-system of the impacted area. Wildlife like birds, sea turtles, dolphins, and also sperm whales were badly impacted because of oil-spill. There are health problems faced by these animals. Just to name a few, airways and immune system damaged because of oil-spill. Then, birds drown because of oil on their fur making them failed to fly. Dolphins found death because of the toxins released into the air. Marine mammals like dolphins need to go up surface and breathe. (Environmentalgraffiti, n. d.)

Gulf Coast is rich with seafood like fish, crab, oysters and shrimp, especially oyster and shrimp that are highly concentrated in the gulfs, contributing to production of seafood in US. The pollution affected the seafood industry badly. The 23% out of \$2. 4billions on production of Louisiana seafood has been shut down after the oil-spill. (Environmentalgraffiti, n. d.) Till date, there are still impacts on seafood found in affected coast even though oil has

been cleared. Based on article of Jamail in (Aljazeera, 2012), they found fishes, shrimps and other seafood with abnormal growth. For example, eyeless fish and shrimp believe as a result of toxics released by oil.

Tourism bears the brunt of the environment pollution. Based on a report of Oxford Economics (n, d), tourism plays key drivers in Gulf region's economy. Referring to the chart below, oil spill has greatest impact on tourism revenue during year 2010 after the Deepwater Horizon Oil-spill.

Bourgeois, the owner of Bourgeois Fishing Charters told The Times-Picayune (2010) that his business was down after the oil-spill in Gulf of Mexico. The visit to fishing charters decreased about 20 percent after the case, booking declined and increase in cancellation rate of trips.

Besides, fishing industry has been directly impacted by the pollution, causing increase of unemployment rate. The lives of people in affected gulfs were threatened because they were unable to collect fish. William, as reported by Juhasz (2012) article in The Nation, has lost his income because of shrimp he used to catch were affected because of the oil-spill.

Air pollution caused by the explosion of rig also brings impact on the health of local communities. Nicole told The Nation that there is smell of oil for the entire month after explosion and it made her daughter's asthma worst. Not only that, Elizabeth, 9, Nicole's daughter also suffers from rashes, allergies, inflamed sinuses, sore throat and an upset stomach.

Another example of how environment pollution impact on BP's local communities is the oil-spill of Columbia pipeline caused by corrosion of

pipeline. It is a project with Columbia national oil company and 4 others multinational company. The oil leaking from corroded pipeline transferring crude oil polluted farmland. Water was poisoned, lead to death of livestock and crops were failed to grow. (Taylor, 2011)

Shareholders

To be straightforward, shareholder as one of company's stakeholders to provided fund. (Harvard Business Review, 2012) Shareholder seeks profit and return on investment rather than growth of business. The environment pollution of BP has brings impact on its shareholders. Especially the blow-out and oil-spill of deepwater horizon rig in Gulf of Mexico, BP faced numbers of court cases, claims and payout for cleaning up oil. BP has accepted to pay a total of \$4. 5bn fine to solve all the 14 criminal charges. (Goldenberg and Rushe, 2012) Besides, BP has paid a total of \$23billions on claim and cleans up.

Based on the report of BP on cash dividend payout in history, there is no dividend payout in year 2010 after the accident in Gulf of Mexico. Share price drop drastically from a constant increasing yearly. The dividend increased at 3rd quarter of year 2011 but it is still very much lower than the dividend paid before the accident on Gulf of Mexico. (BP, n. d)

How BP dealt with dilemmas

Dilemmas have to be solved by company to sustain in business. How BP did to solve the dilemma will be discuss and apply to ethical theory. Responding to the main cause of accident in Gulf of Mexico, BP has designed its

programme on enhancing safety and risk management to avoid repeating of accident like Deepwater Horizon Oil-spill.

Local Communities

First, BP has takes responses to helps in different dilemma caused by the accident. It includes helps in monitoring health and safety of people involved in cleaning up oil, puts effort on cleaning up both offshore and on shore, rescuing and rehabilitation of wildlife, containing the leak and compensate the people and communities affected. (BP, 2011)

Few examples on how BP responses to the dilemma, BP hired local commercial fisherman and vessel owner to help in clean-up. The clean-up of affected area need large amount of manpower and BP has decided to seek help from the local, with their local knowledge. Then, BP deployed new shoreline cleaning technologies. To stop the oil leaking from the damaged well, BP used dispersant to helps in stopping oil-spilling. (BP, 2011)

To resolve the damage made to local ecosystem, BP has invested on monitoring wildlife, emergency restoration projects, early restoration projects and also National Fish and Wildlife Foundation Projects. BP works on minimizing and tracking for the impact on wildlife. For example, bird observational survey and live dolphin health assessments. Emergency respond also took by BP. For example, eggs of Kemp's Ridley sea turtle has been collected and protected, release after hatchlings. (BP, 2011)

Furthermore, BP supports on monitoring and testing programmes of seafood. This including testing on dispersants to boost people confident on the quality of seafood. As an overall till 2011, BP has invested \$33. 5 million to test and <https://assignbuster.com/british-petroleum-unethical-issues/>

monitor the seafood, and \$ 48. 5 million to help in promoting seafood. (BP, 2011)

With the affect on tourism industry because of the accident, tourism campaigns has launch to attract people visit to Gulf Coast. Event like seafood festivals and fishing tournaments has been launched and supported by BP in terms of funding. There is another advertising campaign launch by BP designed in promoting tourism. BP contributes in community development of the affected area. The company support on various type of jobs training, and education. (BP, 2011)

Shareholders

Ethical Theory (Utilitarianism)

Utilitarianism, as defined by Bentham and Mill, the action is morally right if it results in the greatest amount of good for the greatest amount of people affected by the action. The theory also known as “ greatest happiness principle” (Crane and Matten, 2010)

Organizations best practices and values

Alyeska Pipeline Service Company