

## **The Sixth Study**

### **BP Oil spill: Exploring the Crisis and the Aftermath through Crisis Management & Communication**

**By**

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**Abstract:**

Every organization in contemporary business environment is faced with the possibility of risks which are inevitable. As a result, businesses have implemented crisis management strategies to reduce the risk and ensure that it does not cause disruption to its operational activities. This research study aims looked into the types of crisis management used by organizations such as BP to respond to the crisis following the disastrous deep water oil crisis in 2010 off the Gulf of the US coast. Using valid, reliable and authentic secondary data sourced from industry reports, the study found out that each organization has a unique crisis management strategy and each cycle of crisis requires a different approach. In BP's case, the study established that the company uses Fink's (1995) 4 tier approach which is simply based on pre-crisis, crisis, chronic stage and resolution. Despite having a crisis management in place, BP has failed on several occasions and this can be attributed to the fact that the company has a weak and ineffective crisis management strategy. Additionally, the company's austerity measures in order to improve profitability also contributed to the failures during the initial construction stage. Finally, the study also explored the role of the media in changing consumer's behavior towards the BP brand and its products. The study established that the media played a crucial role in changing consumer's attitude and behavior towards the organization. This was done by constantly providing daily coverage on the oil leak. Furthermore, the media also solely focused on the oil and its impact on the environment and the ecosystem thus ignoring BP's efforts in stopping the leakage and the subsequent clean-up process.

**Key words:** BP oil spill, crisis exploration, consequences through crises, management, communications

### ملخص:

تواجه كل مؤسسة في بيئة الأعمال المعاصرة احتمالية وجود مخاطر لا مفرّ منها، ونتيجة لذلك، نفذت الشركات استراتيجيات إدارة الأزمات لتقليل المخاطر وضمان عدم نسيانها في تعطيل أنشطتها التشغيلية. تهدف هذه الدراسة للنظر في أنواع إدارة الأزمات التي تستخدمها منظمة مثل شركة بريتيش بتروليوم البريطانية لأعقاب أزمة النفط الكارثية في المياه العميقة في عام 2010 قبالة ساحل خليج الولايات المتحدة. باستخدام بيانات ثانوية صحيحة وموثوقة وأصلية تم الحصول عليها من تقارير الصناعة، ووجدت الدراسة أن كل منظمة لديها استراتيجية فريدة لإدارة الأزمات وأن كل دورة لها تتطلب نهجًا مختلفًا. في حالة شركة بريتيش بتروليوم، أثبتت الدراسة أن الشركة تتبع النموذج الرابع للشركة **Fink (1995)** والذي يعتمد بسلاسة على ما قبل الأزمة، والأزمة، والمرحلة المزمنة، والحل. على الرغم من وجود إدارة للأزمات في مكانها الصحيح، فقد فشلت **BP** في عدة مناسبات، ويمكن أن يُعزى ذلك إلى حقيقة أن الشركة لديها استراتيجية ضعيفة وغير فعالة لإدارة الأزمات. بالإضافة إلى ذلك، ساهمت إجراءات التبني التي انتهجتها الشركة أيضًا في تحسين الدرجة خلال مرحلة البناء الأولية. أخيرًا، اكتشفت الدراسة أيضًا دور وسائل الإعلام في تغيير سلوك المستهلك تجاه علامة **BP** التجارية ومنتجاتها. أثبتت الدراسة أن وسائل الإعلام لعبت دورًا مهمًا في تغيير موقف المستهلك وسلوكه تجاه الشركة من خلال توفير تغطية يومية لتسرب الزيت بشكل مستمر. علاوة على ذلك، ذكرت وسائل الإعلام أيضًا على النفط وتأثيره على البيئة والنظام البيئي، وبالتالي تجاهل جهود **BP** في وقف التسرب وعملية التنظيف اللاحقة.

### الكلمات المفتاحية:

تسرب النفط لشركة بريتيش بتروليوم، استكشاف الأزمة، العواقب من خلال الأزمات، الإدارة، الاتصالات.

## Introduction:

### 1.1 Crisis Management- BP:

Despite regular efforts by organisations aimed at reducing crisis at work, it has become omnipresent in almost every sector of the economy including BP (Loughran & McDonald, 2011). BP, which is supposed to have a robust and strong crisis management has experienced disasters on several occasions although the impact of the adversities varied. For example, the 2010 oil leak disaster is considered to be the worst maritime tragedy in US history as well as BP's. Within few hours after the spill, the entire BP was faced by a complete and total shutdown; BP faced negative consequences such as economic damage, questionable brand reputation, loss of jobs, dwindling market value among others (Figure 1.1).



**Figure 1.1 BP Declining Profits 2016: Bloomberg, (2017)**

The explosion at the deep-water oil rig indicates that BP's marketing communication in relation to employee and environmental safety was fragile and that is precisely what led to the losses of human, environmental damage and later financial and brand reputation losses (Polson, 2012). Several interviews conducted by the former CEO of the company illustrates that there was inconsistencies by the message and information provided by the company, for example, hours after the oil spill, BP promised to fix the problem within few days without assessing the impact, and the duration that it might take to fix it was over optimistic (Warc, 2010). Prolonging clarification on the severity of the disaster indicates that the organisation as a whole failed despondently in its risk mitigation plan.

### **1.1.1 BP's Mismanagement of the Crisis:**

In a study conducted by the influential newspaper, *the economist*, (2016) numerous organisations which were considered to have a strong crisis management plan in place were found later found to have a weak crisis management. This is evident from the 2010 BP oil spill where during the lengthy court sessions, evidence emerged that BP with its history of hugely destructive accidents failed to reform its safety and environment measures thus putting lives of its workers and the ecosystem at a greater risk (Krauss, 2013). In the post crisis management, the board of directors assured investors and other stakeholders to entirely conduct an overhaul restructuring in its crisis management department with the aim of ensuring that the organisation is ready and able to respond robustly to future crisis (De Wolf & Mejri, 2013).

### **1.1.2 BP Communication Strategy:**

Following the deep-water oil spill which was BP's worst accident and also the most damaging environmental disaster in the history of the oil industry, the company dispatched top echelon of management from London to the US in order to reduce the negative risks the brand was exposed to (Steiner, 2012). Additionally, senior stakeholders including major shareholders were also dispatched to the US to control the situation.

### **1.1.3 The Role of the Media:**

The media coverage of BP's oil spill disaster has undoubtedly exceeded the usual media attention given to global disasters (Goldsmith, 2013). According to numerous studies, the substantial media coverage of the tragic accident accounted for 22% of the news, twice as much coverage as the subsequent news story that followed (Figure 1.2). According to the Pew Research Centre, (2013) the media attention and coverage demonstrated that the company's presence in the public eye has potentially played a significant role on its brand image, reputation and financial loss and growing public dissent.

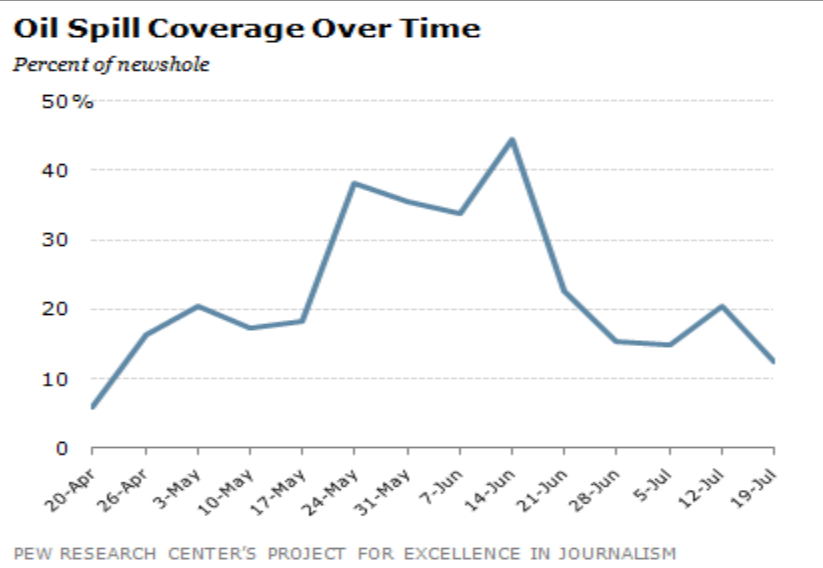


Figure 1.2 Oil Spill Coverage Source: PRC, (2013)

## 1.2 Research Aims and Objectives:

The BP crisis which was considered to be the worst in history both for the company, the industry and maritime accident has caused untold damages to the communities living in the region, the environment and businesses alike. Additionally, it has also negatively impacted the brand's reputation leading to immense financial losses:

- i) The different crisis management options which are often used by multinational corporations in the oil industry; and
- ii) Explore why BP failed to minimise the impact of the crisis on its brand reputation; and
- iii) The role of the media in reporting on oil related environmental disasters.

### 1.2.1 Research Study Justification and Key Sources:

Disasters and interference to business activities and operations are inevitable and most organisations in contemporary business environment. As a result, firms have established robust crisis management strategies, including BP to reduce risks associated with crisis (Ireland, 2013; Nikolev, 2010). In order to objectively answer the research aims, objectives and questions, the study will rely on data from industry reports that are reliable, valid and authentic. Some of the key sources used are Mintel, Warc, industry reports, financial and oil sector journals and newspapers.

### **1.2.2 Research Study Design:**

**Chapter 1-** This chapter will discuss BP's theoretical concept and the energy market sector. Additionally, the chapter will also outline the study aims, objectives as well as the justification for the research study. Key sources that will be used throughout the study are also outlined.

**Chapter 2-** This chapter will analyse BP market sector including customer segmentation, buyer behaviour and competition. Additionally, it will analyse the marketing communication strategy adopted by BP to avert crisis.

**Chapter 3-** This chapter will be divided into two parts; A & B. Part will explain the marketing communication strategy adopted by BP. It will also discuss the different concepts used by the organisation. Part will provide brief explanation of the methodology that will be used to obtain data.

**Chapter 4-** This chapter will provide an in-depth analysis of the data. The analysis will be based on the research questions, aims and objectives discussed in chapter 1.

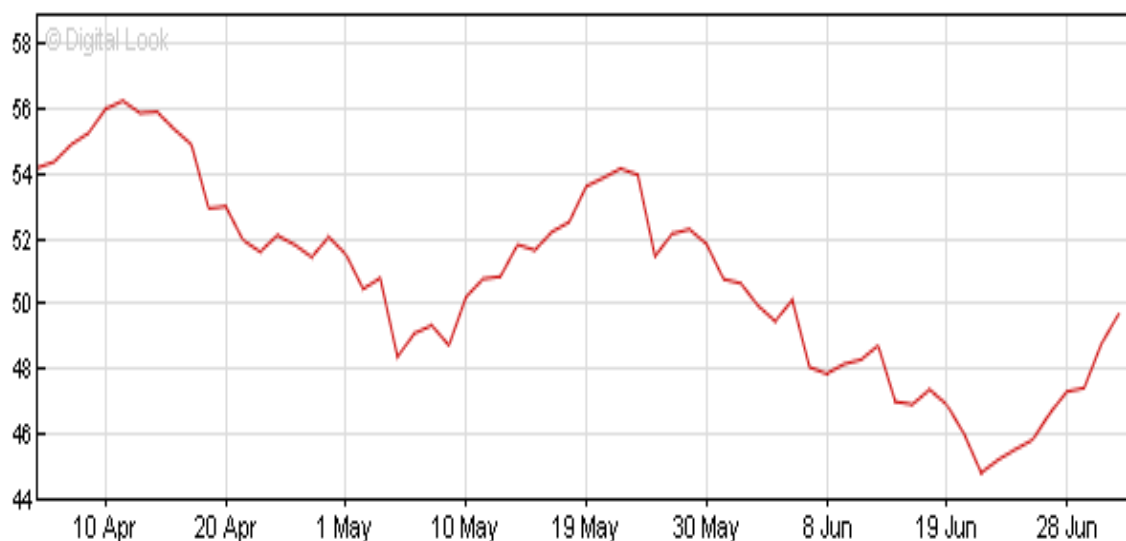
**Chapter 5-** Chapter 5 will outline key conclusions from the previous chapters. It will also explain how the research aims and objectives have been met. Finally, the chapter will also discuss the research limitations.

## **Chapter 2 Market Sector Analysis:**

This chapter will present and in-depth BP market analysis in the energy sector. It will emphasise on pertinent market trends over the past 3 years. Additionally, the chapter will also explore BP's customer analysis, competition, marketing and marketing communication analysis among others. The analysis will be structured to identify BP's market sector focusing on the last 3 years. Finally, factors that have a direct impact on the company's marketing communications will also be discussed.

### **2.1 Energy Industry:**

For the past 5 decades, the oil industry has played a significant role in economic development, improving social well-being and creating millions of jobs globally (Backus & Crucini, 2000). However, despite its contribution to the global economy, in the last 3 years, there has been an increased global attention on the impact of the oil industry on industries at a time when oil prices were at its lowest in the past 10 years (Arezki, et al, 2016) (Figure 2.1). Notwithstanding the industry's importance role in accelerating economic development, the development and implementation of cleaner energy has also been on the rise (De Roeck & Delobe, 2012). This will be discussed later in detail.



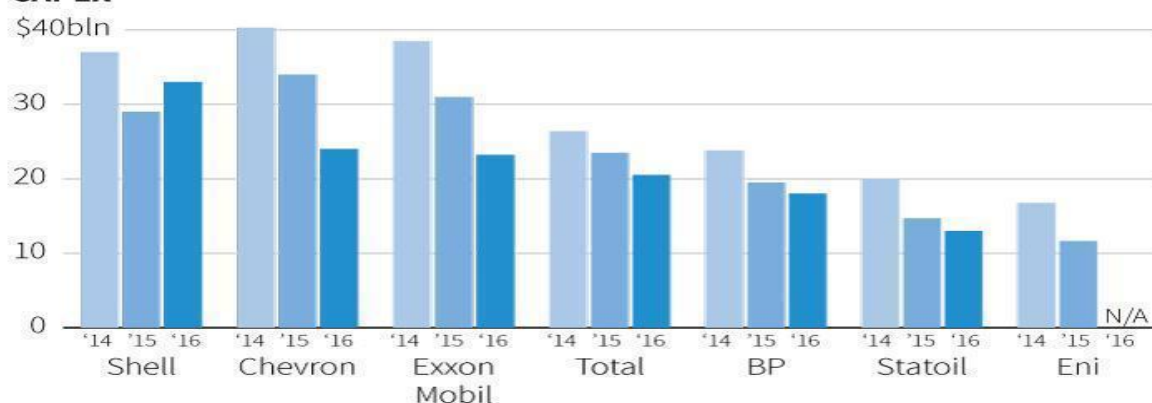
**Figure 2.1: Oil Prices Drop. Source, (Arzeki et al, 2016)**

In the context of new strategic focus, the energy industry continues to attract billions of pounds in investments globally and the trend is expected to continue due to the worth of the commodity (Figure 2.2) (Hassler et al, 2014). Moreover, the leading corporations are also ramping up investing in different oil related projects at a time when oil prices are anticipated to rise following a meeting of Opec and non Opec member states to cut output for more than a decade (Arzeki, 2016).

## Oil majors' investments

Oil and gas companies cut capex to weather the sector's downturn

### CAPEX



Source: Companies

\*Shell includes BG

V. Flasseur, 05/02/2016

REUTERS

**Figure 2.2. Oil Major Investment: Source, Reuters, (2017)**



Subsequently, the industry has moved from survival mode with the leading countries such as Saudi Arabia and Russia both cutting production, the future of the industry looks more attractive with the investment rebound set to revive oil projects that were frozen when the prices fell drastically (Killian & Murphy, 2014) (figure 3). Additionally, Saudi Arabia, the world's leading oil producer has seen a sharp decrease in its foreign reserve mainly attributed to the ongoing Yemen war and as such the oil rich kingdom is keen on guaranteeing that the current price of oil increases cash flow generation (Kellogg, 2014).

In the UK, the offshore gas and oil sector has received £312 million rebates for the last financial year, and the depressed global oil prices has impacted other sectors of the economy-especially the manufacturing sector that heavily relies on petroleum products for its production (FT, 2017).

## **2.2 Consumer Analysis:**

### **2.2.1 Business to Consumer:**

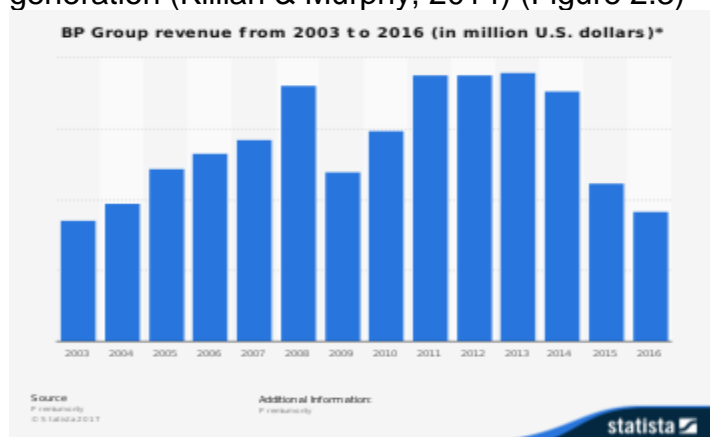
BP is a major supplier of petroleum and petrochemical products, for example, fuel, mixed energy that provides heat, logistics, fuel supplier to the aviation industry, military and storage around the world. With presence in every country globally with an exception of North Korea, the company appeals to different segments of the market and has sustained stable growth attracting billions of pounds in new investments (Carlson et al, 2011; Goldenberg, 2011; Yan, 2015). Whereas petroleum products are still considered to be harmful to the environment, the company continues to command a sizeable market share at the expense of the environment. In recent years, the company increased investment heavily in renewable energy to attract more customers who are considered to be environmentally conscious (Chari & Christiano, 2014).

### **2.2.2 Business to Business:**

BP sells its products directly to consumers as well as to businesses (Arzeki, 2016). In business to consumer deals, the organisation has fuel stations in almost every country globally. The bulk of its customers are privately owned car owners in the Western world and emerging markets, for example, South Africa and Brazil with a strong consumer loyalty base. Also, the company also sells lubricant products directly to consumers (Chari & Christiano, 2014).

Similarly, BP is a major supplier to the aviation industry which constitute a major share of its consumer base; a major contributor to its revenue (Hamilton, 2013). Owing to the volatility of the oil sector, the company was able to attract more consumers in the aviation industry by coping with unpredictable demand and fuel supply disruptions. According to the financial times, (2017) the company is currently in talks with a major budget airline in the UK to supply its entire fleet with aviation fuel. Furthermore, the company has also attracted new consumers in the aviation industry mainly from state owned Chinese companies.

The US and UK military are major consumers of BP oil and fuel products (Hassler et al, 2014; BP, 2017). The company supplies oil, lubricants and other fuel related products to both nation's military. Due to the ongoing war in Afghanistan and Iraq, the company has increased its supply hence amassing its market share in the defence industry (Kellogg, 2014). Additionally, ever since the industrial revolution, the company has continued to supply fuel, oil and energy products to major manufacturing industries and its consumers within the sector are considered to be a major contributor to the company's success, business growth and profit generation (Killian & Murphy, 2014) (Figure 2.3)



**Figure 2.3. BP Revenue: Source, Statista, (2016)**

Furthermore, the company has also appealed to countless of customers by providing a comparatively less harmful product (BP, 2017). By doing so, BP was able to ensure its customers that the product though harmful to the environment, does not impact their health directly. In Mexico, the company was able to increase its market share by providing clean fuel products to its consumers (Hassler et al, 2014).

### **2.3 Competition:**

According to a recent report by the Financial Times, (2016), rivalry in the oil and gas industry is intense and this has forced smaller companies to merge with major players in the field. Operating in a highly competitive area of gas and oil exploration, storage, transportation and supply, BP is faced by fierce competition from major companies in the sector-some with adequate financial and technological resources (Hamilton, 2013). In addition, the company is also faced by competition from small, independent and technologically driven companies although BP has a greater financial resource compared to the smaller companies (Bodenstein et al, 2011).

BP, the largest oil supplier by market value is faced by major competitors such as Chevron, Total, Shell and Exxon (De Wolf & Mejri, 2013). These companies which have a large presence in international operations constitute the biggest challenge to the company. Although the company overtook Shell as Europe's largest company, in France, it is faced by stiff competition from Total which controls a large market share (Hassler et al, 2014). Also, these companies are involved in aggressive competition for new leases and exploration rights for oil and gas fields as far as Russia. Other areas where the company is faced by intense competition are financial competition, future exploration rights and lubricant market competition among others.

### **2.3.1 Financial Competition & Future Exploration Rights**

BP's major competitors are generally multinational corporations, for example, Shell which has extensive experience in the oil and gas industry (Kellogg, 2014). In contrast to smaller competitors, these major companies have financial, managerial and technological resources necessary for undertaking new exploration activities and expanding current business growth. Additionally, their competitors have also increased investment in new technological advancement, for example, developing green energy (Killian, 2014).

BP is also faced by fierce and aggressive rivalry from major oil and exploration companies for new leases and exploration rights (Figure 2.4) (Lan & Eyung, 2017). In addition to the major players, the company is confronted by competition from state owned Russia and Chinese oil exploration companies that have the financial and political backing from their respective states (Killian, 2016).

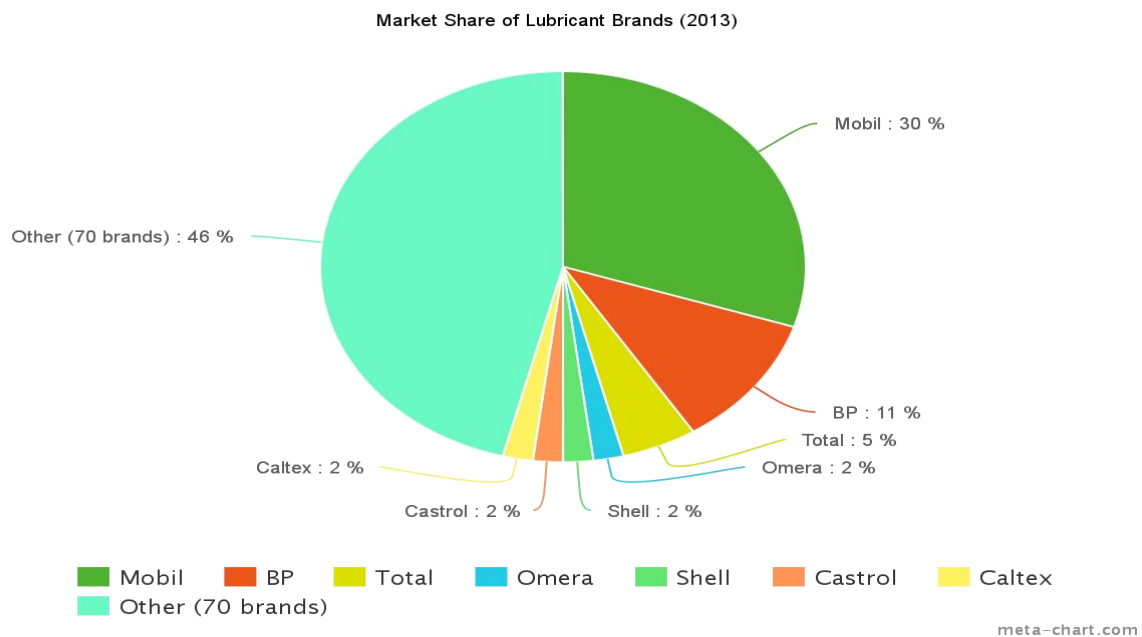


**Figure 2.4. BP Global Upstream & Competitors. Source: CP, (2016)**

### **2.3.2. Remote Exploration & Lubricant Competition:**

BP is faced by numerous challenges in exploring new oil and gas fields in remote and inaccessible regions where other companies have succeeded, for example, Yamal Peninsula in Russia's desolate wilderness where the company has partnered with Gazprom, Russia state owned oil Exploration Company (Schultz & Glocka, 2013).

While the demand for engine oil and lubricants is growing fast due to the enhanced economic growth globally, the company has yet to make significant inroad. In emerging markets in Asia, for example, China, India and Bangladesh, the company's market share constitutes only 11% of the total market share (Barsky & Killian, 2016) (Figure 2.5).



**Figure 2.5 Lubricant Market Share. Source: Economist, (2016)**

### 2.3.3 State Owned Companies:

As discussed earlier, state owned companies in the oil and energy sector with access to unlimited financial resources and political backing are considered to hinder BP's business growth and future expansion plans (Chari & Christiano, 2014). In China, the surging share price of Sinopec; the state-owned oil Exploration Company is on the verge of overtaking BP as the world's largest oil company by market capitalisation in 2040 (Figure 2.6) (Kleinnijenhuis et al, 2011). Moreover, BP is also challenged by ferocious competition from state owned Russian oil exploration company- Rosneft for exploration rights and new leases (Arzeki et al, 2016). These state-owned companies compete in an unfair tendering process where governments grant privileges. In such bidding environment, markets and tendering process are limited to allow full and fair competition (Hamilton, 2013).

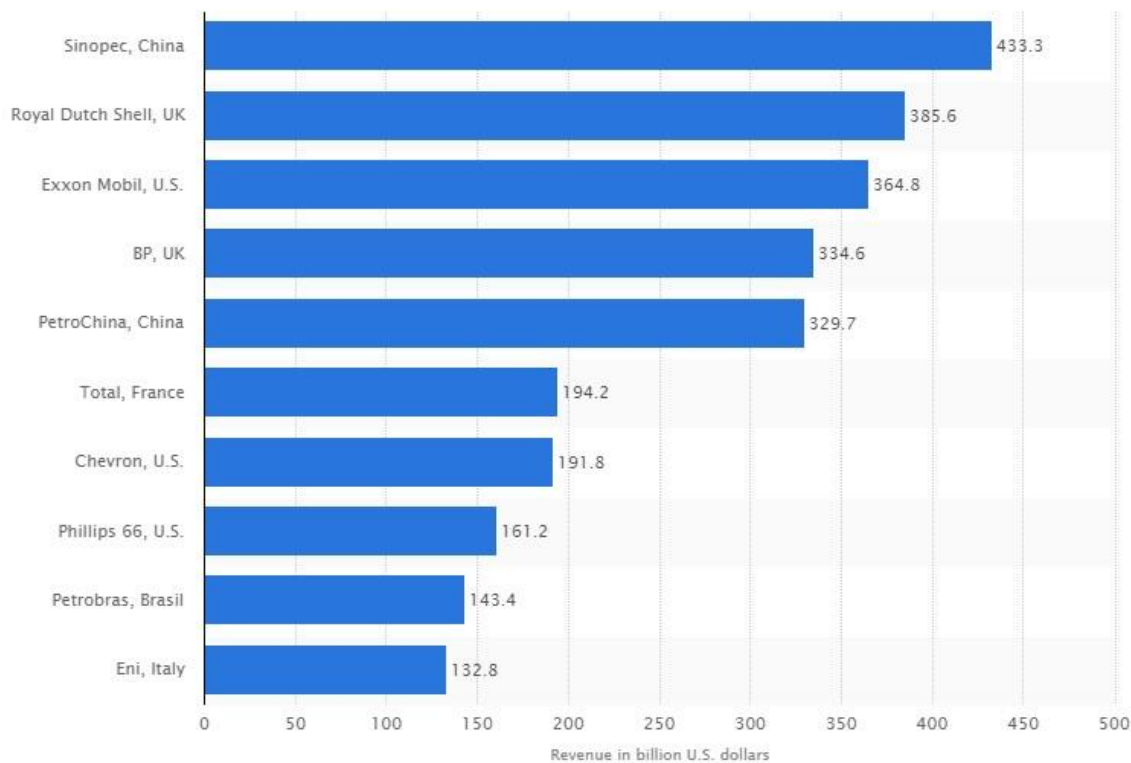


Figure 2.6: 2017 Ranking Global Oil Companies. Source: Financial Times, (2017)

#### 2.3.4 Technology Driven Small/Medium Companies:

The recent pace of technological advancement by small companies with the technical capability have shown that major oil companies such as BP are faced by fierce rivalry with regards to new and innovative technologies in drilling, exploration etc (Kellogg, 2014). Although these smaller companies do not have the same monetary resources as BP, nevertheless, they have proved to maintain edge with customers and the market they operate. Additionally, even though the oil industry is undeniably in the midst of technological renaissance with BP announcing multi million investment in developing new and innovative technologies, small and medium sized technology businesses could potentially dominate the market with increased market share (Killian, 2014).

### **2.3.5 Cheap Fuel-Supermarkets:**

Supermarket chains, Asda, Sainsbury and Morrisons are engaged in price war with big brands, such as BP, Shell and Total. While the average UK petrol costs around £1.20 for petrol and £1.22 for diesel, the supermarkets sell for £1.14 and 1.16 for petrol and diesel (Economist, 2017). The lowering of prices has hit BP and other major fuel suppliers in the market. The price cuts which are expected to continue to fall within the next few months, was made possible by the global fall in oil prices.

### **2.4 Competitors Marketing Communication Strategy:**

Owing to the competitive nature and market structure of the oil and gas industry, BP's business rivals have developed a continued and systematic process of marketing and communication strategy (Goldenberg, 2011). The method used by some of these companies, for example, Shell and Exxon aims to counter BP's big spending on advertisement in post oil spill crisis (Dowling, 2002). Capitalising on their strengths, the companies marketing strategy has evolved over the years and their main objective is to seek to position the company and determining the organisation's long term objective in respect to environmental concern, technological advancement, sustainability, defining functional and divisional plans as well as integrating different elements of mass media communication in their pursuit (Claeys, et al, 2010).

One of the key communication strategies adopted by Shell in late last year campaign is to position the company as a pioneer in developing cleaner energy (Coombs & Holladay, 2014). For the first time in the oil and gas industry's history, the company has established a programme aimed at partnering with entrepreneurs in developing sustainable energy. The campaign named '*Mass Reach*' emphasizes on the human benefits of energy to its customers (Romenti et al, 2016; Cass et al, 2015). Furthermore, the company which spent slightly over £1 billion on research and development every year, aims to brand itself as part of the 'solution' and not the problem (Barsky & Killian, 2016).

Building on the success from the integrated marketing approach in collaboration with global artists and entrepreneurs, Shell has recently launched '*makethefuture*' campaign which is intended to promote green and sustainable energy consumption globally (Romenti et al, 2016). However, battling negative perceptions in the oil and gas sector is difficult. Moreover, several research studies have shown that consumers do not usually pay attention to sustainability claims from businesses in the oil and gas industries (Carberry & Brayden, 2012). However, Shell has so far managed to drive its message across based on the human benefits associated with the development and execution of sustainable energy supply and consumption. Whether its second campaign '*makethefuture*' resonates well with the public, only time will tell.

## **2.5 BP Analysis :**

### **2.5.1 History of BP:**

BP also known as British Petroleum is a UK based multinational corporation that deals with selling of oil and petrochemical products (Chen, 2010). Located in London, the company has a global presence in almost every part of the world with an exception of North Korea due to political reasons. The company is listed both at the London FTSE as well as New York's Nasdaq. The majority of shares are held by British and American shareholders (Guardian, 2010).

### **2.5.2 BP Marketing performance:**

BP is well known for its petrochemical business around the globe, and the company has enjoyed stable growth despite the fall in oil prices since last year (Kilian, 2016). The company is both listed in London and New York stock exchange and the majority of the shares are held by privately by shareholders from these two countries (Lustgarten, 2010). Even though BP continued to experience rapid growth prior to falling oil prices with the announcement of a new round of investment in Shale gas, it has been involved in costly accidents and pressure to change the conventional oil exploration and storage methods which are environmentally damaging practices (De Wolf & Mejri, 2013).

With a number of subsidiaries and retail brands across the world, such as Arco, BP connect and BP express, the company has rebuilt its image in the aftermath of the disastrous oil leak accident in 2010 (Cass et al, 2015). The company's 'beyond petroleum' slogan has resonated well with consumers who are conscious about the environment. Additionally, the company has also improved investment in green energy development; creating a stronger and brand loyalty consumers. With the enhanced investment, the company can potentially become a marketing leader in sustainable energy (Romenti et al, 2016).

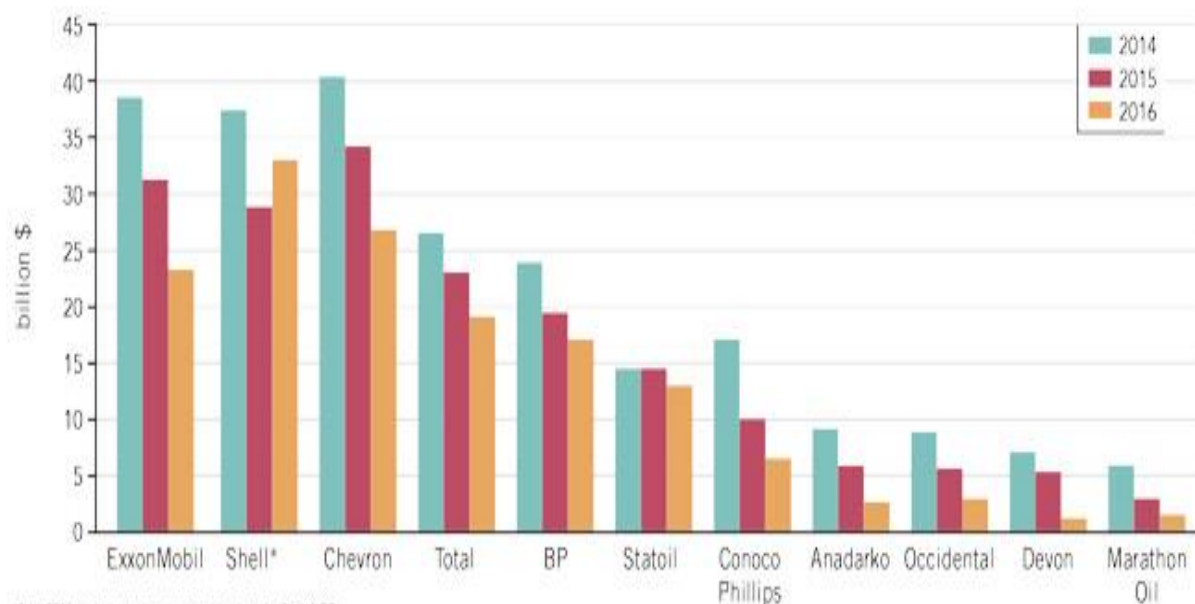
In the past 2 years alone, particularly in post crisis, the new management the company has been repositioned as an attractive business model and a market leader capable of delivering key promises in tackling climate change and global warming (De Wolf & Mejri, 2013). In order to achieve green energy, the company has partnered with several companies working in the sector to produce sustainable energy. Last year, BP has proclaimed that it will increase the use of alternative energy by 20% in 2030. The target which aims to reduce fossil fuel exploration and consumption is targeted at convincing the rapid growing market segment; green consumerism (Goldenberg, 2011).

Overall, the future of the company in light of the declining prices seems to have little impact on the company's revenue generation although BP has capped issuing dividends to shareholders in a period of two years following the oil disaster. Moreover, the company was forced to slash capital expenditure amid a prolonged price slump (Figure 2.7) (FT, 2017).



## CAPITAL EXPENDITURES FOR COMPANIES

FIG. 1



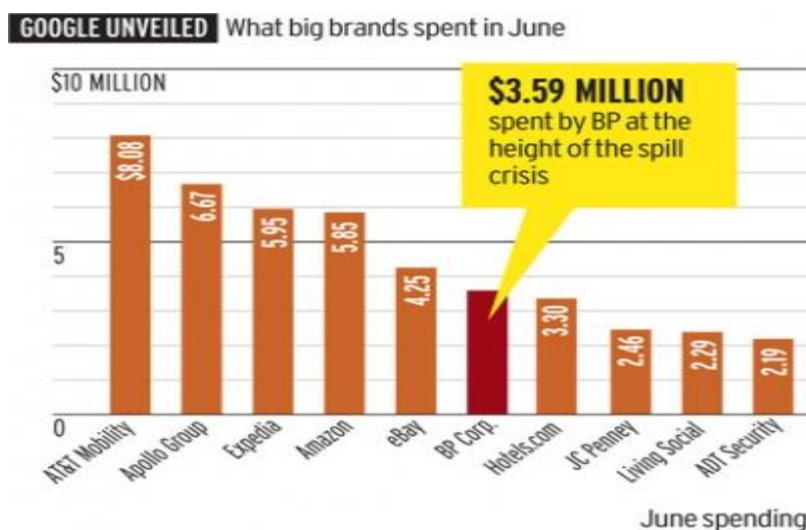
\*Shell 2016 capital spending is a combined one for Shell & BG

Source: OGI analysis from company announcements by the time of writing

**Figure 2.7: Capital Expenditure for Oil Companies. Source: FT, (2017)**

However, the company's future growth and expansion plans is not only vulnerable to the global fall of oil prices but also its reputation since the disastrous oil leak (Goldenberg, 2011). Since then, the company has spent \$500 million on advertisement to restore its brand image following public outcry over its handling of the oil disaster which claimed lives and caused the worst environmental disaster in the oil and gas industry history (FT, 2017).

In 2016, the company launched its first TV campaign in 10 years as it seeks to reposition the brand following the DeepWater oil leak (Lan & Eyung, 2017). Fronted by a new animated character, the company aims to reverse the trend of negative publicity and woo more customers using integrated mixed communication approach (Economist, 2017). For the first time in its marketing communication and campaign strategy, BP has spent a quarter of its marketing budget on digital formats including display and mobile. The company is aware of the importance of social media in marketing and it is expected that by the end of this year, they will spend more money to drive their marketing promotion to their consumers, whether in the office, on the street or at home; the company recognises that customers are in different places using different devices hence the use of integrated marketing approach (Schultz & Glocka, 2013; Romenti et al, 2016). One of the key objectives of the new media campaign is to showcase the importance of the car to their consumer's lives. At the height of the deep-water oil crisis, BP spent slightly under \$4 million dollars in a single month alone (Figure 2.8). (Goldenberg, 2011)



**Figure 2.8: Advert Spending (June, 2010) Source: Google, (2017)**

### 2.5.3 Global Demand:

Despite fall in prices, the global demand for fossil and sustainable energy is on the increase, BPs has a better opportunity to expand its business growth. This can be attributed to the increased demand from emerging markets like China and Brazil where BP has presence (Barsky & Killian, 2016). As a result, the future prospect of BP looks optimistic and there is potential for expanding the business in venturing into new oil exploration, storage and transportation. Since oil price is determined by the global demand for oil and energy, any deficiencies in supply will increase BP's profit margin and market share (Cass et al, 2015; Romenti et al, 2014). Additionally, the company is also conscious of the significance of developing sustainable and alternative energy sources (De Wolf & Mejri, 2013). BP has increased its budget on research and development mainly in sustainable energy development. Between 2010 and 2016, the company spent billions of dollars and this is expected to be increased in the years to come as it prepares itself for the next generation energy supply based on green and sustainable sources (Figure 7) (De Wolf & Mejri, 2013).

According to industry experts, there are disquiets about future oil shortage and this could potentially reduce BP's future growth and expansion plans (Barsky & Killian, 2015). Close to 60% of the world's proved oil reserves are located in Saudi Arabia, Iran, Iraq, Kuwait and the United Arab Emirates. Due to the political instability in the region, there is a possibility that it could to commodity disruption which in essence, will reduce growth forecast for BP (Barsky & Killian, 2016).

With the exception of Kuwait, the other remaining countries are either directly or indirectly engaged in wars; Iraq is a failed state since the toppling of the last regime in early 2003 while Saudi Arabia and United Arab Emirates are engaged in war in neighbouring Yemen rebels which are supported by Iran (Chari & Christiano, 2014; Sisco, 2012). Future disruptions in the oil industry are inevitable from prospecting new oil fields, exploration, production and downstream activities such as refining and marketing. BP's future will depend on the countries listed above and the stability of the entire region since each country plays extremely significant or strategic role in the oil industry (Bodenstein, 2011; Backus & Crucini, 2000; Carlson et al, 2011).

## **Chapter 3 Marketing Communication Concepts & Research Methodology:**

### **3A Marketing Communication Concepts:**

In this chapter, marketing communication concepts and crisis management strategies used in the oil and gas industry will be covered. The chapter will look into the different frameworks and strategies that are commonly used in the sector. Additional information on BP's crisis management strategies will also be discussed in great detail. In the second of the chapter, the methodology will be discussed. This includes the research objectives, analysing secondary data and the research context on the oil and gas industry.

#### **3.1 Crisis Management-Theoretical Framework:**

Numerous books and journals on crisis management have been published with different description, clarification, nature and impact of the crisis on the organisation (Jones, 2011). Generally, crises considered to be broad, and it could be argued that organisation's view, handle and mitigate in different ways. Whereas some organisations view crisis as an opportunity to improve, others see it as disastrous end to their organisation's existence (Warc, 2010). In the past 10 years, many crises have occurred; the Concordia cruise ship that hit rocks, BP's oil leaks, Enron's financial woes, Boeing's Dream Liner battery failure-the list is endless and both academics and practitioners consistently agree that there is not a single business entity that is immune from crisis (Newell & Goldsmith, 2011).

Owing to the nature of the business, BP and other organisations in the oil and gas sector are constantly faced by the possibility of a crisis to occur. This is not only limited to the oil industry alone, but also to other sectors as well. Mac Neil & Topping describe crisis as an event that "causes severe emotional and social distress, which may occur at any time and without warning" (p. 64). (Kaplan et al, 2010, p. 80).

Crisis can potentially lead to financial, reputation, brand loses (Pforr, 2009; Hale et al, 2005; Coombs & Holladay, 2002). In some cases, it could conceivably lead to the closure of the business altogether. Since all crises are unexpected, businesses are required to have a robust crisis management that will handle and minimise the impact of the crisis on the brand and the organisation as a whole (Loughran & McDonald, 2011; Huang, 2006). In recent years, the impact of crisis and ambiguity on organisations and management has been stronger, and businesses are required to have the right skills that will guarantee that it does not threaten the very existence of their business (Griffin, 2012; Klein & Dawar, 2004 & Pillutla, 2000). This will be discussed later in detail.

### **3.1.1 Initial Crisis Management Framework:**

Maddocks, (2013) argues that it is exceedingly important to the organisation to fully comprehend the life cycle of crisis since each one may require a different response; for example, BP has been hit several times with crises, and each cycle required a different approach from the previous one. In general, when a crisis occurs, the crisis management is required to be integrated into the normal operations and activities of the organisation (Valvi, et al, 2013; Goldsmith et al, 2000; Baltimore & Ingram, 2012). In principle, businesses are required to make crisis management as a core business structure. From the many crisis management research studies, 3 influential and prominent approaches have emerged (Curlee & Gordon, 2013).

The bulk of organisations in contemporary business environment use concepts of crisis management that are either based on Fink's (1986) four stage model and Mitroff's (1994) five stage model (Curlee, 2011; Curlee & Gordon, 2013). Both concepts have distinctive pros and cons and have been used to improve crisis prevention and response. The first approach which was developed by Fink in mid 1980s, is based a medical illness metaphor which categorises different stages of the crisis:

- i) Clue of illness- This entails hints that a potential crisis may emerge. This stage is usually important to detect and if possible, to mitigate the crisis before it becomes overwhelming and uncontrollable. Also known as prodromal stage, the organisation is required to regularly conduct checks on the potential cracks within the organisation's business structure. According to an independent report by the US Environmental (Wang & Ritchie, 2010) Agency, BP's oil leak could have been prevented if the company conducted regular checks on the sub-contractor during the initial planning and building stage (O'Connor, 2011).
- ii) Acute- According to Fink, at this stage, a triggering has occurred along with the damage. This is the first phase or cycle of the damage and it could potentially either escalate or diminish the impact of the crisis on the business, society, environment and other stakeholders (Wang & Ritchie, 2010)
- iii) Chronic- At this stage, the crisis is not only uncontrollable but it also causes damage to the organisation's reputation and brand image-leading to financial losses. Chronic stage could take weeks or even months depending on the organisation's handling and crisis management concept (Wang & Ritchie, 2010).
- iv) Resolution- At this stage, there is a clear signal that the crisis no longer pose a danger or risks to the organisation. Also known as post crisis period, businesses increase their marketing and promotion budget and efforts in regaining its reputation, financial losses and ensuring that it rebuilds public trust (Wang & Ritchie, 2010).

Fink's approach which was the first established as means of mitigating and reducing risks to brand reputation views crisis management as an extended event; affecting different stakeholders at different times or simultaneously (Walker, 2014). The notion is modest and straightforward; there are events that may trigger a crisis and businesses are required to conduct thorough, detailed and systematic checks on regular basis to avert the crisis (Hale et al, 2005). Organisations that have a robust crisis management policy, believe that signs of crisis precede trigger and as a result, organisations become more proactive (Newell & Goldsmith, 2011). The stages provide the organisation with the opportunity to close loopholes hence reducing the probability of crisis occurring.

Moreover, Sturges, (1994) elaboration on Fink's 4 stage crisis management cycle demonstrates that different actions are required in each stage (Choi, 2012). Sturges further argues that different types of communication strategies are required; a procedure BP woefully failed to implement in deepwater oil spill. For example, at the early stages when the crisis occurred, shareholders and the public and may both need a different strategy to address-whereas shareholders need reassurance on company's market value (loss of dividends), the company may be concerned about losing customers, damaging its brand reputation etc (Schultz et al, 2012).

The two scenarios are interlinked and it requires a robust and effective crisis communication strategy that is capable of using a variety in order to change negative storylines; some could be true and some unsubstantiated (Maddocks, 2013). Since marketing communication is a critical component of any marketing activities, every organisation is required to do more than the clumsy report offered by BP (Choi, 2012; Curlee, 2011).

### **3.1.2 Crisis Communication:**

While it is impossible to avoid all crises, for example, earthquakes, some can be managed and mitigated with the right crisis management policies and practices (Walker, 2014). The author further states that scholars have wrestled with the exact meaning of crisis communication-with each giving different description based on the scenario in which the crisis took place (Walker, 2014). Additionally, there are also opposing views among practitioners on the definition of crisis management. Some argue that it is simply a way of responding to an issue and it is the company's responsibility to send the right message across to the audience (Jaques, 2007). This traditional and classical notion of communication concept is based on Berlow's approach which entails sending message through communication channels could be no longer feasible in contemporary crisis management (De Wolf & Meiri, 2013)

Crisis communication can best be described as a way of diffusing tension, reducing impact and conveying accurate, positive, speedy, responsible and transparent information to the wider audience (Harlow et al, 2011). The crystal-clear definition of crisis communication does not apply to the oil and gas alone but also to other sectors and industries. Harlow, (2011) further argues that for an organisation to have a robust and effective crisis management in place or make it as a core business structure, it requires financial and human resource- an issue that most organisations are wary about due to increased costs associated with setting up the department and managing it.

Indisputably, there is a compromise among theorists and practitioners on the need to have a robust and strong team that can respond to crisis-in essence, good communication strategy (Stiglitz, 2011). This is simply because organisations are constantly faced by threats of risks which is inevitable. However, the presence of a robust crisis management, will aid the firm to uphold a positive connection with diverse groups, for example, customers, shareholders, the public, the media etc (Ritchie, 2004; Curlee & Gordon, 2013). This is predominantly a key feature of crisis communication management. The initial days after the crisis will significantly impact public's response and how it perceives the business. Consequently, it is decisively significant to have an active crisis management team not only to diminish the negative damage, but also capable of reducing negative impact to the brand in the long term (Young & Montgomery, 1998).

### **3.2 Corporate Governance-BP:**

Both the traditional and conventional observation of corporate governance reflect the reality of businesses in modern contemporary business environment-as a way of conducting business in a manner that will not only generate profit, but most importantly protect the brand image of the organisation (Vavli et al, 2013). However, there are also differences between the viewpoints; whereas, in traditional, shareholders and potential investors are regarded as the most important aspect of the group's survival, in conventional, the commercial world is changing radically and so is the way businesses are managed; an argument that is well supported by both academics and practitioners alike (Harlow et al, 2011).

Corporate governance is undoubtedly the most significant discussed issue in contemporary business agenda globally (Warc, 2010). Given the level of its importance, businesses are aware that their very survival relies on the way the affairs of the organisation are managed. However, in a recent study published by the Market (Hartsig, 2010) majority of the managers that took place in the study cited profit generation as the first priority to the organisation. Moreover, the study also found out that corporate governance employed by most of the organisations merely existed on paper. Since every organisation is established with the sole purpose of generating profits; could this potentially limit the findings of the study?

In the aftermath of deep-water oil leak, BP, Britain's largest supplier of oil and gas used many tactics and tools to engage with the wider public and especially those affected by the disastrous oil leak, the media, government agencies and the wider public (Choi, 2012). Within the first 4 days, the company's share fell by 7% and its reputation badly damaged. Although the company had a strong corporate governance, it failed to apply the concept in practice (O'Connor, 2011). Numerous studies in post oil crisis indicate that it is difficult to ascertain that BP's corporate governance conformed to the conventional and traditional approaches in dealing with the crisis (Schutlz et al, 2012).

In practice, the effective regulation of the company's corporate governance showed that it lacked every aspect of governance (Warc, 2010). This is evident from the disorganised management of the crisis. In considering what constitutes good corporate governance, it can be argued that the failure of BP's crisis management handling, communication approach coupled with the role of the media have all shown that the organisations corporate governance was in point of fact in tatters (Harlow et al, 2011).

### **3B Research Methodology:**

The following section will outline the research methodology used for the study. Additionally, this chapter will also discuss the justification, importance and reasons for the research methodology as well as the detailed approach used to gather data (Creswell, 2008; Creswell, 2003; Laurel, 2003; MacNabb, 2007). In order to establish reliability, validity and authenticity of the study, the researcher will use industry reports. This was made easier by having access to all relevant and required information which was critical to the research study.

### **3.3 Research Objectives and Secondary Data:**

The aim of this research study is to shed light on the pre and post crisis management in the oil sector. As discussed in chapter 2, the aim of the research will use secondary data analysis to explore the different types of crisis management used in the industry and the response used by BP to avert and reduce the negative impact on its brand and reputation. The use of secondary in this study aims to provide information and evidence between existing crisis management strategies, the reason BP failed and the role of the media in the crisis. (Patzner, 1995; Morgan, 2007).



### **3.3.1 Design and Logical Approach to Data Collection:**

In order to objectively answer the research questions and the theoretical concepts in chapter 1 and chapter 3 respectively, the researcher will rely on valid and authentic secondary data sourced from industry reports. This will be done by designing a logical and coherent approach to get valid and reliable answers to the research questions, aims and objectives (McNabb, 2007). Firstly, the researcher will place research questions, aims and objectives into different groupings. Once that is completed, information and data materials will be collected from different sources. The information will be compared and contrasted to review its validity and reliability. Additionally, the researcher will extract most suitable data sets for the project (Yin, 2009).

Secondly, the researcher will collect information from large representative samples. In doing so, the researcher will generalise the findings of the study to a larger population (Ivanoka et al, 2006; Tashakori & Tedlie, 2008). Most of this information are contained in industry report websites and journals that cover the oil and gas industry (Partlett & Waever, 2011). Finally, data will be collected in consistent with the research aims, objectives and overall purpose of the study (Creswell et al, 2003).

### **3.3.2 Research Context:**

Overall, the research will collect data in the oil and gas industry and particularly those that have been affected by crisis. The secondary data collected will focus on crisis management, communication and strategies adopted by firms in the oil and gas industry in tackling negative reputation caused by disaster. In line with the above-mentioned facts, the researcher will devote considerable amount of time in collecting data from the above-mentioned industry and communication activity in ensuring that the materials used are backed by realistic and pragmatic evidence (Gulati, 2009; Wrenn et al, 2007).

### **3.3.3 Secondary Data Sources:**

Below are the detailed outline and plan that will be used by the researcher to answer research objectives, sources and research context:

- i) **Evaluating Secondary Data-** The researcher will evaluate the secondary data and the purpose of collection. This includes ensuring that the right sample was properly composed as well as the collection techniques and procedures used in the secondary data is consistent with the researcher's aims, objectives and research questions (Greene et al, 1989; Kothari, 2009).
- ii) **Source Credibility-** The researcher will use secondary data which has been already collected by third parties to answer the research objectives, aims and questions. There are many information available on the internet with regards to the research study, however, in order to increase the validity, reliability and authenticity of the study, the researcher ensured that the source of the data is credible (McNabb, 2007) Additionally, the data used was also checked to ensure that the questions used in the secondary data market research project is relevant to the area of study (Morgan, 2007; Morse, 1991).
- iii) **Accuracy of the Data-** Not every secondary data is accurate and produce objective knowledge (Bryman & Bell, 2011; Patzer, 1995). It is extremely important to ensure that information used has backed by empirical evidence. In order to ensure this, the researcher will use information from reliable industry reports such as market intelligence, Mintel, Warc etc.

### **3.3.4 Analysing Secondary Data:**

Throughout the secondary data scrutiny, the researcher will use information from industry reports that were closely linked to the study's aims and objectives (Payne & Payne, 2004). Unlike collecting secondary data, information from industry reports, analysing was quicker to conduct. The researcher will ascertain suitable information from a large pool of sources by delving deep into the data documentation and ensuring that information used was relevant to the research study (Gupta & Rangi, 2010). Additionally, in order to advance the legitimacy of the study, the researcher will use the data driven approach to collect information from various sources (industry report).

Before conducting the analysis, the researcher will look into the different variables and link them to the research aims and objectives. For example, using industry report, information on communication strategies used by the oil and gas industries will be analysed and disseminated. In the case that there is a missing data from one of the variables, the researcher will conduct comprehensive secondary data collection to answer the variable in question. Finally, in a note of conclusion, in order to save time, the researcher will skip patterns in the secondary data that are not relevant to the study.

## **Chapter 4 Findings:**

### **4.1 Introduction:**

Dating back to 1965, the company's first disaster involved an oil rig which was being transferred to collapse causing immense environmental damage with each crisis causing the company's share market to fall drastically (Figure 4.2). This was later followed by fire at BP's Texas refinery which also caused environmental, social, economic and human losses (Korosec, 2010). However, the finding of this study will solely focus on the last oil disaster in the US Gulf Coast for two reasons; first, despite being involved in previous crises, the company has not improved its crisis management strategy, secondly, and perhaps, most important the 2010 oil spill was not only the worst maritime disaster in the oil industry but also the worst environmental tragedy leading to BP losing billions in market value (Figure 4.1)(Hichri, 2010).

**BP's stock plunge**



**Fig. 4.1 BP Stock Plunge. Source: De Wolf & Mejri, (2013)**

The Gulf Coast oil disaster which was the worst maritime tragedy in the oil industry history is not distinctive to BP, the company was hitherto involved in a number of accidents involving its logistics, drilling and exploration and refinery; yet it failed to prepare itself for future crises (Ireland, 2013). Dating back to 1965, the company's first disaster involved an oil rig which was being transferred to collapse causing immense environmental destruction. This was later followed by fire at BP's Texas refinery which also caused environmental, social, economic and human losses (Achenback, 2010; Korosec, 2010). However, the findings of this study will solely focus on the last oil disaster in the US Gulf Coast for two reasons; first, despite being involved in previous crises, the company has not improved its crisis management strategy, secondly, and conceivably, most important the 2010 oil spill was not only the worst maritime disaster in the oil industry but also the worst environmental tragedy (Hichri, 2010).

In order to answer the research aims, objectives and research questions, the data is based on secondary sources, namely industry and market research reports. This chapter will review findings based on existing secondary data to ensure that the variables between the subject of the study and that of the secondary data are relevant (McNabb, 2010). The choice of the secondary was corroborated by conducting preliminary checks on the source of the data. For the purpose of enhancing validity, reliability and authenticity of the study, the researcher was able to conduct proper checks on the method of data collection applied and the structure of the data. For example, more than often data produced by industry reports are based on interview recording which follows scripted procedures which are detailed, accurate and meticulous. Additionally, the researcher was also able to use to match the research questions in chapter 1 with that of the secondary data; in essence, industry reports with similar variables to the research aims, objectives and questions were utilised; for example, how BP and Chevron responded to the crises (Hichri, 2010).

#### **4.2 Objective 1- The different crisis management options which are often used by multinational corporations in the oil industry**

According to Mufson, (2010) lacking an effective crisis management structure, organisations in the oil and gas industries are at risk of facing disturbance to their business's operational activities. Although some of the risks are inevitable, for example, earthquakes, nevertheless, businesses have developed crisis management strategies to decrease the impact of the risks associated with the unexpected crises (Clark, 2010). It is worth noting that each organisation has developed a unique crisis management strategy which they use to respond to post crises scenario (Curlee, 2011).

##### **4.2.1 Crisis Management and Communication Strategy:**

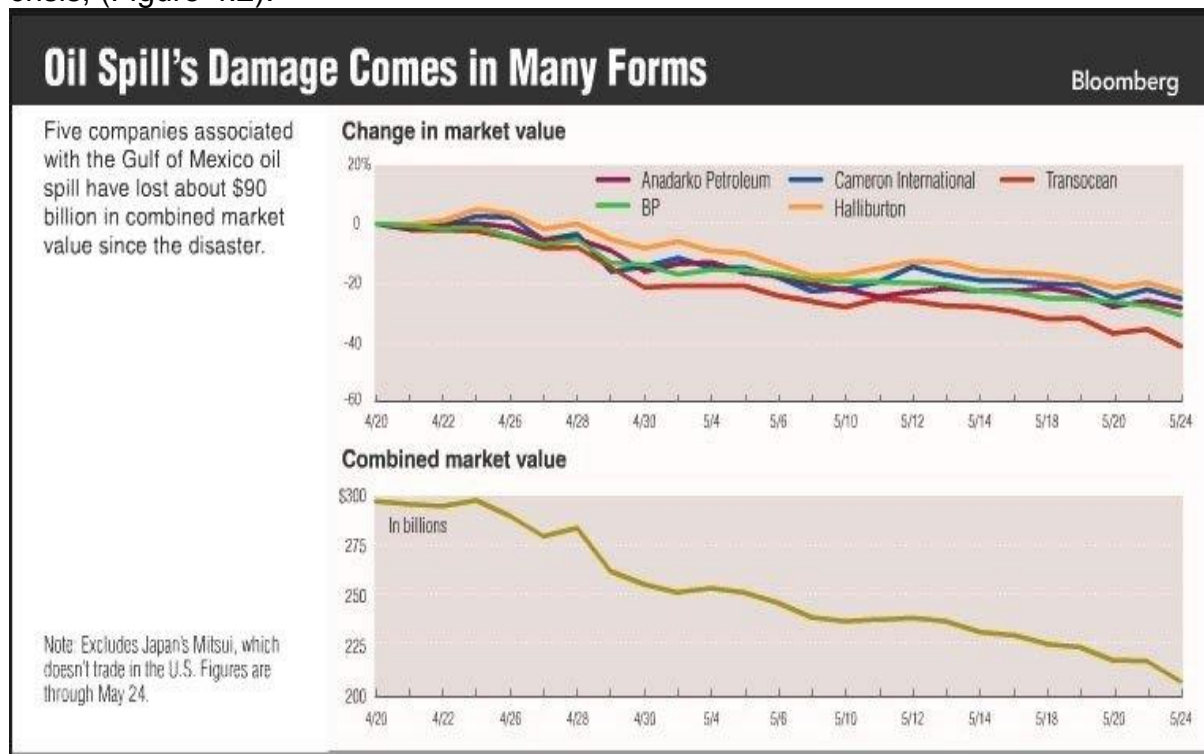
Organisations in the oil and gas industry such as BP, Shell and Chevron have all improved spending budget on crisis management strategies. This follows after these organisations were confronted by several crises that has disrupted their operational activities. Additionally, according to Wearden (2010), BP has increased budget on improving its crisis management structures in all of its operational activities globally. The author further added the managements sudden increased involvement in developing a robust crisis management strategy can be directly accredited to the last disastrous oil spill crisis which damaged the brand and reputation of the firm. Moreover, Shell has also embarked on ways of improving the way it handles crisis following the calamitous oil leakage in southern Nigeria (Quinn, 2010).

In Chevron, employees mainly working in oil rig and exploration sites were provided with cutting-edge and innovative training in order to ensure that they well equipped with the right skills to tackle accidents (Maresh & Williams, 2010). In addition to training staff, the organisation has also printed its first crisis management policy that will be used throughout its business operations globally. In essence, the new advanced crisis management. A particular focus of consideration has been around the oil exploration wells where the bulk of accidents usually occur (Ireland, 2013).

Besides, according to Nikolaev, (2010) & Coombs, (2010), organisations in the oil and gas industries have increased improving quality checks at main exploration sites. Both authors argued that since BP's last oil leak crisis could have averted as cited by the US Environmental Agency which found out that the oil leak was a result of cost cutting measures adopted by the firm, businesses such as Chevron and BP have increased improving quality of materials used in the construction of oil rigs. Based on the four widely used stages are pre crisis phase; crisis phase, response phase and finally, post crisis phase, firms in the oil and gas industry would have an effective approach to respond to future tragedies (Hale et al, 2005).

According to Hale et al, (2005), most organisations in the oil and gas industries are required to constantly monitor and evaluate their respective crisis management on a regular basis. The author further suggests that it would be valuable to the organisation in the industry to also closely monitor sub-contractors. The author strongly argues that by doing so, the company will be able to detect any problem at an early stage mainly during construction hence reducing the risks that could have occurred few years or months later.

This is exactly what Robertson & Kaufman (2010); Pitney, (2010) and SPaeth, (2011) all established. The above-mentioned authors found out the reason BP blamed Haliburton for the disaster was the latter was subcontracted by BP to build the oil rig, however, BP did not monitor the construction process. Had they done this during the construction period, BP could have potentially reduced the risk of the calamitous occurring. All the businesses that were involved in the construction including the two mentioned above faced stock related losses attributed to the oil leak crisis, (Figure 4.2).



**Fig 4.2 Change in Market Value for Companies involved in the Oil Leak.**

**Source: De Wolf & Mejri, (2013)**

Noticing the prominence of employing an effective crisis management strategies and policies, BP, Shell and Chevron have not only increased budget but also presented new measures in ensuring that crisis risks are minimised or stopped altogether (De Wolf & Mejri, 2013). For example, BP, a leading oil supplier has established a process of constantly improving its crisis management strategies following the disastrous oil spill. The yearly process also known as yearly strategic action is designed to avoid or mitigate crisis in the future (Harlow et al, 2011).

Pitney, (2010) argued that crisis communication of concepts that are used by businesses in the oil industry during crises, for example BP during the 2010 oil leak crisis needs urgent restructuring. According to the author, BP and Shell have both failed in communication approaches to the shareholders, the public and societies affected by oil leaks and ways of reducing or stopping the adversities. This is also supported by Regulý (2010) who further specified that BP's communication strategy during the crisis was a complete fiasco. The author added that the company's sluggish reaction to the crisis has immeasurably contributed to the negative public view of the brand and the company's reputation. In a riposte to BP's handling of the matter especially the CEO's daily briefings, Kanter, (2013) strongly argues that the company's spokesperson failed in pledging the public, shareholders and the government.

#### **4.3 Objective 2: Explore why BP failed to minimise the impact of the crisis on its brand reputation.**

##### **4.3.1 Crisis Management:**

Through the four-crisis management and communication strategies, failures were highlighted in almost every phase of the process cycle (Kantar, 2013). The Gulf Coast oil disaster which was the worst maritime tragedy in the oil industry history is not exclusive to BP, the company was previously involved in a number of accidents involving its logistics, drilling and exploration and refinery; yet it failed to prepare itself for future crises (Ireland, 2013).

In an article published by Mufson, (2010) in the *Washington Post*, BP's crisis management is considered to be the worst in the oil and gas industry and the company has faced numerous accidents in the past 20 years. Also, according to a report published by Environmental Protection Agency (EPA) in 1991, the agency named BP as the worst environmentally degrading company due to the avoidable disasters caused by the organisation's futile crisis management strategy in the late 1980's and early 90s. Mufson's (2010) story approves other reports that were published after the disastrous oil spill which established similar findings, for example, Roach & Harris, (2010), Martel, (2010) and Milam, (2010). All these findings maintained that BP's failure in controlling the damage can be attributed to weak crisis management strategy.



Prior to the last oil disaster in 2010, BP woefully failed to contain a dozen of oil related disaster previously. A report published by the *Guardian* in (2010), found out that the company's crisis management approach was in tatters and that BP has never prioritised prevention and safety. This is supported by a similar report by Crookes, (2010) published in the *Financial Times* which suggested that the company has continued to spend money on lobbying both in the US and the UK to represent its business interest, for example, in 2009, in order to block efforts to introduce stricter safety in the oil and gas industry; BP spent \$16 million to lobby members of congress (Maresh & Williams, 2010).

In a post crisis report, BP was found to have a very weak crisis management strategy in place. In fact, despite the numerous times the organisation was involved in crises hitherto, nothing has changed with regards to BP's reaction to disasters (Milam, 2010). According to Chakraborty, (2011), the company's failure can be attributed to the fact that it had no crisis management in place and the organisation's primary goal was and still remains profit growth at the expense of environmental degradation.

This is also backed by an investigation that followed the aftermath of the oil spill disaster which was conducted by the state in collaboration with the federal government demonstrated that BP neglected several warnings on the dangers of the oil rig (Nikolaev, 2010; Crooks, 2010; Cicarrel, 2010). Moreover, the former CEO also admitted on a BBC program that BP's 'contingency plans were inadequate'. Since the magnitude of the crisis was bigger than the previous ones, could be it possibly argued that BP would have been more prepared to respond to crisis of a smaller scale?

Finally, the crises faced by the organisation represented a severe reputation threat (Chen, 2010). The historic performance of BP clearly indicate that the company was not adequately prepared to respond to the crisis (Brennan & Polson, 2010; Clark, 2010). Additionally, there is also a broad unanimity between theorists and practitioners that the company, which was hit by similar crises previously, failed to consider crisis management as a critical element of its core business activity, leading to reputation damage, financial losses and hefty fines imposed by courts. According to a Goldsmith & Kent (2013) coverage of the oil disaster, the company was fined \$87 million by the Texas state Health and Safety department for overlooking health and safety procedures. This was also followed by a similar penalty of \$20 million a year later where it faced criminal trial in Alaska oil spill.

#### **4.3.2 BP Corporate Governance**

As discussed earlier, it is widely assumed that the company's handling of the crisis was poor and deplorable. According to Milam, (2010), the company's primary response to the crisis was to send its CEO to the US, a wrong move by the firm's board of directors; the author argues that it should have been left to the US bosses to 'sort' 'out' the mess. The author considers that the company could have been in a better position to handle the crisis had it left senior members of the organisation who are American citizen to respond. Additionally, Heaven, (2010) also states that the British CEO could have been replaced by one of their key directors in the states. By doing so, the two authors argued that it could have potentially reduced public repercussion and wrath of the government.

Moreover, the company's board of directors were also very slow in responding to the several queries involving the accident (Crooks, 2010). BP's London headquarters was also blamed for keeping shareholders, and the public in the dark during the crisis (Brennan & Polson, 2010). According to De Wolf & Mejri, (2013), the companies was reluctant to provide any information with regards to the oil spill either intentionally or unintentionally. According the authors, the company slow reaction to the crisis has theoretically damaged not only its reputation but also created a rift between senior managers and shareholders who felt that the company's value was being wiped due to its ineffective response to the disastrous oil leak.

Furthermore, the company's board of directors were also blamed for deliberately embarking on cost cutting crusade that was blamed for the oil leak crisis. According to Adubato, (2010), one of the key contributors to the crisis was BP's cost cutting drive exposed by its CEO a year earlier to increase profitability and increase shareholders annual dividend. In the aftermath of the crisis, *The Guardians*, analysis and discussion of the oil crisis established that the oil spill "Was an avoidable disaster caused in part by a series of cost cutting decisions made by BP and its partners". (Guardian, 2010:12).

#### **4.3.3 BP Crisis Communication Failures:**

In its final public deliberations, the independent commission tasked with the investigation of the deep-water oil leak detected that one of the key issues that has continued to demonstrate BP's ineffective crisis management policy is the lack of clear communication strategy. According to the report, BP's often disjointed and disorderly information could have potentially slowed responding to the disaster. Conferring to the report, Clark, (2010) further suggested that during the early days of the oil leak, the company blamed all the organisation that were involved in the designing, construction and maintaining the oil rig; for example, Haliburton and Transocean. Consequently, its preliminary reaction and messages produced a lot of harm to its image and reputation (Crooks, 2010).

The second communication failure is the timing of accepting that there was indeed a leak. Since the company's response was too slow, it took 4 days for the company to acknowledge that the well was undeniably leaking; however, by this time, the oil spill has reached chronic stage (Mufson, 2010; Pitney, 2005). This has immensely contributed to the negative media coverage which will be discussed later in great detail. Additionally, the company was also not sure about the exact amount of oil spilled into the sea in day 4. According to a report published by the Telegraph, (2010), senior members of BP's management did not have a clue on what was exactly going. This led to the dispatch of the CEO from London to the US.

Furthermore, according to Adubato, (2010) BP failure to instantaneously respond to the oil leak played a major role in damaging its reputation. The writer further suggested that the oil giant lack of '*empathy* and *concern*' for the environment, local population and businesses is seen as a complete communication failure. The opinions are also backed by Ireland, (2013) who felt that the company's lack of coherent information regarding the oil leak and the unproductive post crisis communication strategy has certainly increased public resentment and attracted the wrath of the federal government.

Moreover, instead of focusing on stopping the oil leak or at least minimising the risks associated with the disastrous oil leak, BP embarked on a digital media campaign spending millions on TV advertisement trying to portray the company as a 'greener' energy provider and keen on protecting the 'environment'. Pitney, (2010) argued that even though the company's initial response was very slow in both acknowledging the damage caused and taking responsibility; however, the ill timing of its media campaign at a time when the company was faced by the worst environmental and maritime disaster in the oil and gas industry history exacerbated the situation (Quinn, 2010). According to Robertson & Kaufman, (2010) the company which lost market value wiping millions of pounds simply failed to prioritise its needs-focusing on taking stopping the leak and taking responsibility.

BP's communication strategy was nothing but fundamentally defective from the beginning of the crisis (Sherwell, 2010; Spaeth, 2011). The company's unrelenting optimism showed that it failed to recognise the severity of the leak. Taking 72 days to finally stop the leak, the company response was purely out of touch with reality on the ground (Robertson & Kaufman, 2010). According to Qumer, (2010) who runs a public relation firm, the company was simply unprepared for the disaster as well as post disaster scenario. He further added that the events unfolding was simply bad public relations for BP executives whose initial cover up of both the seriousness of the accident and their ineptitude to quickly fix it has irreparably damaged its reputation globally.

Finally, the company's former CEO was also blamed for creating unnecessary turmoil during the crisis with his constant media gaffes (Martel, 2010). Quinn and Reguly, (2010) stated that the former boss handling of the crisis was beyond what was expected from a senior leader in times of crisis. The two further added that the former spokesman 'arrogant behaviour' and apparent 'smug' at the time of the crisis has certainly contributed to the company's woes. Initially, the CEO declined to take responsibility, then blamed other contractors. This was followed by downplaying the severity of the oil leak and over optimism on stopping the leak (Wearden, 2010; Webb, 2010; Winterman, 2010). In post crisis and before he was forced to resign, former CEO Hayward was asked by a reporter whether he was aware that cleaners on the beach were getting 'sick' seemingly caused by the polluted water and air; the former CEO without showing any signs of remorse or penitence simply turned to the reporter and inferred that 'it could well be from food poisoning' (Martel, 2010: 23).

#### 4.4 Objective 3: The role of the media in reporting on oil related environmental disasters

According to Coombs, (2010) the media has continued to play a major role in ensuring that the public are fully informed when a crisis occurs. This is even more important to the media when the company involved in the disaster is a multinational corporation. This is evident from the media frenzy coverage in the two major oil disaster events; Exxon's spill 25 years ago and that of BP in 2010. Despite the long difference in which the disasters happened, the trend of the media has relatively remained the same-creating oil 'spill amnesia' and ensuring that public are informed of the environmental damage caused (Coombs, 2010).

The similarities between the two major disasters are that both accidents involved two oil giant companies and the amount of the damage caused to the environment is still fresh in most people's minds-courtesy of the media (Lee, 2015). This can be attributed to the increased and widespread coverage both spills got from the media. According to the Pew Research Centre, (2010) the media attention and coverage demonstrated that the company's presence in the public eye has potentially played a significant role on its brand image, reputation and financial loss and growing public dissent.

The media coverage is not only confined to reporting but also significantly contributing to consumer complacency (Holladay, 2010; Frandsen & Johansen, 2010). During the first day of the oil disaster, the media linked BP's oil disastrous oil spill to that of Exxon; reminding consumers of the past oil spill and the damage it caused to the environment. In both crises, the media created a 'disaster myth' by focusing the attention of consumers on the organisation rather than the crisis itself. Take for example, during the 2010 BP oil spill, news media broadcasted live coverage for 100 days (PEW, 2010) (Figure 4.3)

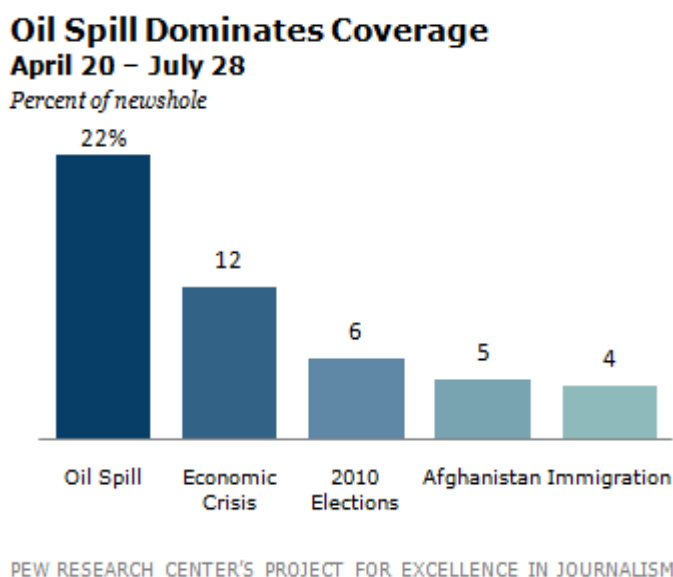


Fig 4.3. Oil industry vs Other Sectors Coverage: Source PEW, (2010)

(N.42, 2022)

Although the media is usually quick to blame the companies involved in the oil disaster for damaging the environment, they usually tend to ignore the fact that fossil fuel extraction has its own risks. According to PEW Research Centre, (2010), the media was successful in diverting the public's attention from the exploration of fossil fuel since the whole economy depended on it. The media rather puts its attention on the company potentially shaping consumer behaviour towards a particular brand or product and perceptions of risks. In 2010, the media solely focused on BP's oil leak and environmental damage rather than the company's efforts in stopping the oil leak. Also, the media was able to focus attention on the impact of the crisis on businesses, for example, falling home price values (PEW, 2010) (Figure 4.4).



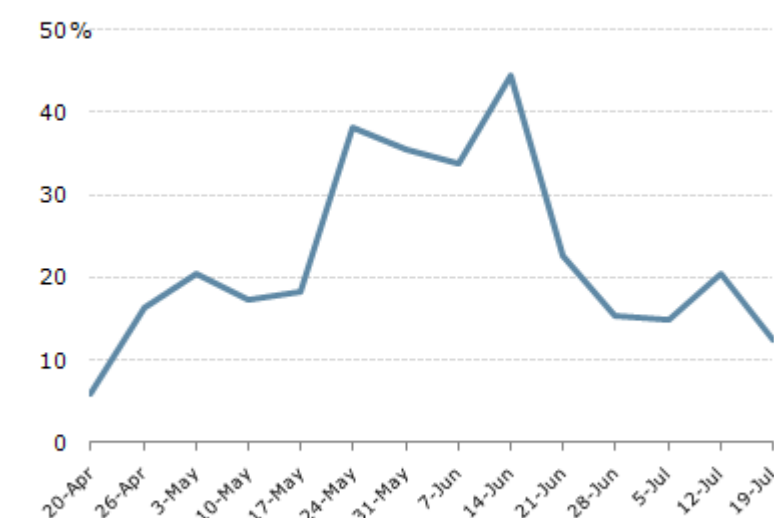
**Figure 4.4. House Price Falling: Source, De Wolf & Mejri, (2013)**

In return, the public's tacit trust for media new coverage has significantly contributed to damaging business reputation (Coombs & Holladay, 2010). It creates a strong bond between media and the consumers by directing the consumer's attention towards the company responsible for the oil leak. Additionally, the media allows consumers and the public to compartmentalize the crisis. It ensures that consumers continue using their vehicles and fossil fuel. Moreover, they also portray messages which clearly indicates that it is 'BP and Exxon' but the rest of other businesses in the oil and gas industry are 'perfectly protecting the environment and the ecosystem' (Coombs & Holladay, 2010).

During the 2010 BP oil spill, the media provided consumers not only with live media coverage with its considerable amount of live coverage, but also interactive features of events on their respective websites (Eilperin, 2010). By doing so, the media was able to draw a conclusion on the cause and impact of the oil spill even before the spill was finally stopped. Additionally, the media's use of interactive features indicate that they were able to convey 'key information' to the public which was rather hard to digest in print or TV broadcast formats. Key trends at the time of the incident especially during the month of July 2010 showed oil spill coverage remained at the top of most media houses (Frandsen & Johansen, 2010). (Figure 4.5)

### Oil Spill Coverage Over Time

*Percent of newshole*



PEW RESEARCH CENTER'S PROJECT FOR EXCELLENCE IN JOURNALISM

**Figure 4.5. Oil Spill Coverage: Source PEW, (2010)**

Usually, disaster in the oil and gas industries require technical staff with immense scientific knowledge in the industry in order to enable consumers to follow and understand new terms and concepts generally used in the oil sector (Coombs, 2010). The press was able to handle this by inviting people with the right knowledge and skills in the oil exploration industry. Additionally, staff members from BP's competitors were also invited to the studios to shed light on the crisis as well as the best way of stopping the oil leak (Coombs, 2010).

Unlike most devastating disasters which tend to subside quickly, the media coverage in the oil and gas industry usually generated sustained reporting; this is evident from the media coverage accorded to both oil disaster despite being 25 years apart (Coombs & Holladay, 2010). This could be attributed to the fact that since there is a rapidly growing market segment of green consumerism, the media as a whole interest in the disaster, setting agenda and framing their reports.

The proposition is that in agenda setting, the media's structure of the unfolding event becomes the public's depiction (PEW, 2010). To further the point, De Wolfe & Mejri (2013) argue that the media's plan sets the public perception particularly regarding public issues such as the environment and loss of businesses (Figure 4.6). The degree of importance that is placed on a specific matter in the mass media will certainly have a direct consequence on the way the public views the problem (Lee, 2015). In essence, it is evident from the two major oil spill disaster that the media does not necessarily inform the public on '*what to think*', but effectively advises us on '*what to think about*'.

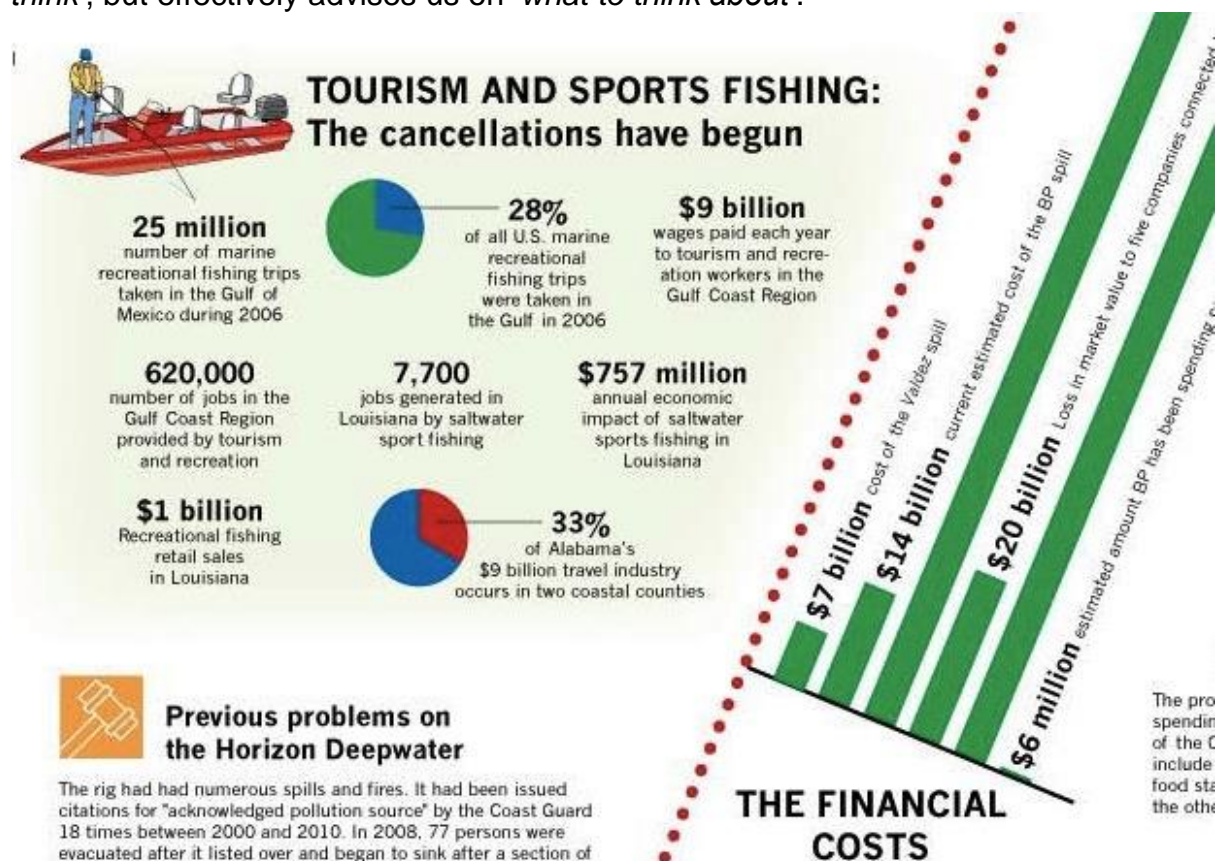


Figure 4.6. Impact of BP Oil Spill. Source: De Wolfe & Mejri, (2013)



#### **4.5 Summary**

It is evident from the data analysis that BP's lack of effective crisis and communication strategy led to damaging its brand reputation, financial loss and customer dissatisfaction and eventually leading to boycotting of BP products. Additionally, the analysis also established that BP corporate governance especially its board of directors played a role in the oil leak saga; first, the company in a series of cost cutting measures in order to increase profitability meant that it was exposed to risks, and secondly, the management's response to the disastrous oil leak crisis has also contributed to woes that has affected the firm. For example, during the initial stages of the oil leak, the CEO downplayed the severity of the leak, then followed by distancing itself from any problem, blaming other stakeholders that were involved in the construction of the deep-water oil for the mess and finally admitting it was its own mistake. Finally, the media has also played a crucial role in the oil by ensuring that the public are constantly informed on the leak through daily coverages.

### **Chapter 5 Conclusions :**

#### **5.1 Introduction:**

The oil and gas industry has played a vital role in economic growth in the UK and the sector is considered to be a major key contributor to achieving accelerated and rapid economic growth (Lustgarten, 2010). Despite its significance and importance to the economy, the sector has been hit several times by crises management issues, from oil leaks to transportation accidents, yet the sector has not been successful in responding to the crises in the past 2 decades (De Roeck & Delobe, 2012). The research study was able to shed light on the importance of developing robust and effective crisis management in the oil industry and consequences associated with the lack of thereof.

This chapter will further outline key conclusion in the market sector and firm analysis respectively, provide in depth explanation on how the research aims, objectives and questions have been met. Additionally, the chapter will also conclude the marketing implications for firms in the oil and gas industry, brand and the business reputation. Finally, a brief future study area will also be discussed.

## **5.2 Crisis Management and Communication Strategy:**

### **5.2.1 BP Crisis and Communication:**

BP has been hit by crises on several occasions, and the company reaction was considered to be unproductive in every crisis, for example, the 2010 US Gulf Coast oil spill (De Wolf & Mejri, 2013). This can be attributed to the fact that BP failed to implement and develop a robust crisis management strategy in pre-crisis. During the 2010 crisis, the company provided incoherent and occasionally fallacious information to the public and particularly those that were directly impacted by the disastrous oil leak (Heaven, 2010; Mufson, 2010; Guardian, 2010; Maresh & Williams, 2010; Reguly, 2010). For example, it took BP 4 days after the oil spill to admit that oil has been rigging to the sea.

Furthermore, the company's communication strategy was also very weak. According Qumer & Purkayastha, (2010), BP's early response of denial and subsequently shifting of the blame to other businesses that were involved in the construction of the oil rig may have enormously contributed to the damaging of the brand's reputation. The authors argued that the company's communication strategy failed to address the issues raised by the public and the federal government with regards to the oil leak, for example, the number of gallons that were leaking to the sea in a day. Also, Spaeth, (2011), also strongly corroborated the findings of the Qumer & Purkayastha, (2010). The author concluded that BP's lack of an effective communication and crisis management strategy had potentially increased public anger towards the brand.

Moreover, Webb, (2010) suggests that BP's loss of financial value and reputation was its own mistake in the way it handled the crisis and aftermath. Maresh & Williams, (2010), also found out that the company's initial response to the crisis, showed that it lacked an operative communication strategy. According to Lee (2015), businesses are required to have a strong crisis management structure in place in pre-crisis period. Kanter, (2013) perceptively states that the lack of an effective crisis management during BP's disastrous oil rig is a clear indication on why businesses should increase budget on averting crisis, especially in pre-crisis. In a study of BP's response to the crisis, Hichri, (2010) found out that the company's was more focused on short crisis management strategies rather than focusing on developing a long-term crisis management structure.

Although safety at BP's oil exploration were at chronic level, the company's cost cutting measures could have potentially increased the risks (Mufson, 2010; Milan, 2010; Korosec, 2010; Guardian, 2010). The company in order to increase profitability embarked on a series of cost cutting measures at the expense of crisis management. According to a detailed report on the Guardian, (2010), the paper established that the company's continued austerity measures 2 years before the disastrous oil leak has considerably contributed to the failures in attempting to stop the crisis. It is worth noting that BP has since developed a robust crisis management based on Fink's approach (Valvi et al, 2013).

It could be argued that, and rightfully so, BP's bad management and communication breakdown during the disastrous deepwater oil crisis is attributed to lacking an effective crisis management and communication strategy before the disaster. This notion is supported by to Harlow et al, (2011) who argued that BP effectively failed to connect with key audience and develop a robust marketing communication strategy. Additionally, Wearden, (2010) pointed out that the company's CEO response to the crisis has increased public anger. According to the author, the CEO's '*sluggish*' and often '*off the mark*' response clearly demonstrated that the company was 'out' of 'tough' with the realities on the ground.

In a similar finding by Martel (2010), established that BP's CEO continued '*gaffes*' in his daily briefings has also negatively impacted the company's market value and brand reputation. According to Martel, (2010), in a response to workers cleaning oil around the beach feeling sick; the CEO's simply tried to downplay BP's role on their health and further stated that it could have been potentially caused by '*food poisoning*'. In an article published on BBC entitled '*BP's Gift for the Gaffes*' Winterman, (2010) concluded that BP boss clearly demonstrated lack of effective communication strategy in post-crisis, and it is for these reasons that the public were angered by their continuous slip-ups which included distracting the blame and offering unreasonable time to stop the oil leak (Baltimore & Ingram, 2012).

However, since the company lost its market value and destructively impacted on its brand and reputation in the aftermath of the US Gulf Coast oil leak, BP has since increased budget on developing a robust communication and crisis management strategy (Ireland, 2013). The communication methods developed, a broader concept of crisis management definition emerged-emphasizing on the different aspects of the crisis communication process which is dynamic, vigorous, integrated and cumulative; for example, BP crisis communication strategy in post oil leak was considered to be weak, ineffective and unproductive despite using modern communication tools to drive its message (Maddocks, 2013).

### **5.2.2 Role of the Media:**

The media, both digital and TV played a part in ensuring that the public are kept well informed on the oil leak crisis that has engulfed BP (Coombs, 2010). During the crisis, the media camped outside the oil rig with some providing up to date information on the oil leak on hourly basis. The information which was in contrast to the ones provided by BP and its management, became a key and reliable source for many people especially those that were directly affected by the impact, for example, fishing and tourism industries (Lee, 2015).

The media's constant coverage sometimes offering 24 hours coverage of the disastrous leak has also contributed to the public's anger on BP's post crisis and communication strategies (PRC, 2010). The media ensured that the crisis is broadcasted not only to the locals but also a wider audience, hence increased consumer's negative perception on the company's brand and reputation. Additionally, the media also interviewed key witnesses including private construction workers who admitted that the initial design of the project was faulty (Coombs, 2010).

Moreover, the media also provided accurate information on the crisis in contrast to BP's CEO and senior management who constantly gave 'half baked' incoherent and disjointed information (Holladay, 2010). During the first day of the disaster, the company downplayed the significance of the oil rig and boasted that it will be able to completely stop the oil leak in a matter of days without accepting blame for the disastrous oil accident in maritime and oil and gas history. However, the media was quick to prove the public that BP's response was merely a PR stunt aimed at reducing negative impact on the brand's reputation. In doing so, the media was able to compare a similar accident involving Exxon that occurred 25 years ago. According to the PEW research centre, the media's aim was to link the two oil accidents which both took months to stop and clean the oil leak (PRC, 2010).

Moreover, despite the risks associated with the exploration of oil and gas, the media downplayed the fact that many of the organisation in the sector are faced by the risks of disaster (Coombs, 2010). In order to divert consumers from the risks, the media solely focused on BP and its crisis management strategy in stopping the oil leak while at the same time ignoring the fact that 'other' 'reasonable' oil businesses are faced by similar risks due to the nature of the business (Lee, 2015).

Additionally, the media also focused on the impact of the oil leak on other sectors of the market. For example, the media's coverage also fixated its attention on the fishing, tourism and property industries (Coombs & Holladay, 2010). By linking the oil leak to a wider economic impact, the media was able to actively change consumer's perception towards BP. According to PRC, (2010), the media was more interested in covering the leak while providing little attention to BP's efforts in stopping the oil leak.

### **5.2.3 Implications for Brand & Business:**

The study has established that organisations are aware of the fact that risks could potentially cause disruption to their business operation and activities is inevitable (Porter, 2004). BP which has faced crises on numerous occasions, failed to establish an effective crisis management strategy to tackle and reduce the impact of the risk (Nikolaev, 2010). Moreover, the study also established that one of the key implications for having an effective crisis management structure in place is that once the company is hit by a disaster, they can easily be mitigated hence reducing negative impact on brand reputation, for example, BP's oil leak crisis (Sherwell, 2010).

The researcher found out that due to ineffective crisis and communication strategy, the company's brand reputation was badly damaged (Quinn, 2010). Additionally, the company also lost market value; within weeks the company's shares plunged to 20% wiping \$44 billion off the organisation's market value (The Guardian, 2010). Additionally, based on the findings, having a weak crisis management will most certainly discourage new investors due to the collapse in share price as witnessed in BP. Additionally, current shareholders are also affected by the crisis since the annual dividend could longer be paid (Robertson & Kaufman, 2010).

Furthermore, the study also established that there are also risks with customers becoming disheartened by the on-going crisis, this affects mostly consumers that are environmentally conscious (Coombs, 2007). As a result of BP's oil leak crisis, consumers started boycotting BP products further hurting the struggling caused by the crisis (Brennan & Polson, 2010). Furthermore, based on the study, it is also difficult to convince consumers back after the 'clean up' and it requires financial resources on advertisement and promotion. In the aftermath of the 2010 oil crisis, BP spent \$90 million on PR. (Guardian, 2010)

Additionally, the study found out that oil and gas businesses tend to take longer to recover from disasters and that impacts on the company's long-term strategy and growth plans (Eilperin, 2010; Bodenstein et al, 2011). It took BP 5 years to fully recover from the oil disaster and Chevron 4 years (FT, 2015). It is therefore difficult to convince customers to 'come back' to the brand especially if they have found a substitute. Moreover, the longer it takes to respond to the crisis, the impact lingers for the same period (Chen, 2010). However, other companies in the oil and gas industry are required to learn from BP's mistakes and should therefore develop a strong crisis management structure.

The researcher strongly believes that crises can be costly to businesses and most organisation in the oil sector that have been involved in crises losing billions in market value and paying compensation money towards businesses, communities, environmental agencies etc (Adubato, 2010).

The study also established that during the aftermath of BP's 2010 disastrous oil leak, the company spent \$ 500 million on scientific research on ways of restoring the environment. The study found out that additional \$280 was also spent on wildlife rescue and the restoration of the habitats. In addition to the compensation and penalty fines, organisations in the oil and gas industry are also faced by huge clean-up bill. BP spent £7 billion on clean up alone (De Wolf & Mejri, 2013). Based on the above-mentioned facts, having a robust and effective crisis management will reduce overall costs associated with cleaning, legal damages and compensation when crisis occur.

In order to reduce risks associated with crises, the researcher suggests that it is wise for firms to develop a robust and effective crisis management strategy. Although this could be costly in terms of training and financial resources, nevertheless, the benefits associated with having an effective crisis management in place could significantly reduce risks. Additionally, based on the findings of the study, the researcher suggests that businesses in the oil industry are required to test their crisis management structures at least once every year. This will be enabling firms to respond to crisis more swiftly.

### **5.3 Fulfilling Research Objectives :**

This research set out three aims and objectives discussed in chapter 1. The methodological approach to the research objectives is summarised below:

- i) **Objective 1-** The research was able to explore the different crisis management and communication strategies used by multinational corporations in the oil and gas industry. The findings indicate that there are few types of crisis management, however, most organisations in the sector widely use Fink's 4 approach crisis and communication strategy. Furthermore, the research also established that businesses in the sector have weaker crisis management response (Pitney, 2010; Reguly, 2010; Spaeth, 2011; Wearden, 2012; Webb, 2010).
- ii) **Objective 2-** The research was able to explore and clarify the reasons why BP failed to respond effectively to the latest disastrous oil leak crisis. The study found out that there certain factors that have contributed to the failure of BP, for example, weak communication strategy, lack of crisis management handling, incoherent and illogical response from BP with regards to stopping the oil leak, CEO's continued gaffes, blaming other organisation for the fault, initial denial of the impact of the disaster among others (Milam, 2010; Korosec, 2010; Kanter, 2013; Ireland, 2013; Clark, 2010).

- iii) **Objective 3-** In meeting objective 3, the study established that the media played a major role in the crisis. For example, the media constant coverage of the event as it unfolded ensured that the public were well informed about the 'severe impact' on the environment. Additionally, the media also used interactive tools on their websites to give detailed description and impact of the event. Finally, in a note of conclusion, the study found out that the media played a vital role in changing the public's perception towards BP (PRC, 2010; Coombs & Holladay, 2010; Lee, 2015).

### **5.3.1 Limitations :**

Although the use of secondary in this particular research study was critical with its distinct advantages, there were also limitations to the use of the data. First, some of the industry reports required the researcher to become a member with a monthly or yearly subscription fee in order to access the information. Secondly, the information provided by the industry report was huge thus requiring more time to evaluate, assess and disseminate the information. Additionally, some of the websites that contained industry reports will only allow limited articles to be accessed in a month thus reducing the information required for the research study. Another limitation was that the study relied on secondary data only, combining it with primary would have increased the validity, reliability and authenticity of the study. Finally, in a note of conclusion, the bulk of the information could only be accessed through internet (online).

### **5.3.2 Future Research Directions :**

The research study explored the different types of crisis management in the oil and gas industry and how BP responded to the crisis. Additionally, it also discussed the role of the media in the crisis. Further research is required to ascertain and evaluate the impact of oil leak crisis on BP since the business increased budget for developing and implementing robust and effective crisis management structures. This includes exploring whether BP's crisis management strategy is capable of reducing risks. Moreover, the study could also obtain information through primary data collection by interviewing key informants including the top echelon of BP as well as members of the environmental lobbyist group; Green Peace. Finally, in a note of conclusion, the future research could also establish whether BPs' increased financial resources, training staff and increased monitoring and evaluation of oil facilities could potentially reduce future risks.

### **Conflict of Interest:**

The author declares no conflicts of interest. The funder had no role in the design of the study; in the collection, analyses, or interpretation of data; in the writing of the manuscript; or in the decision to publish the results.

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