

## **Leadership in Crisis: An Exploration of the British Petroleum Case**

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### **Abstract**

*This article explores the issue of organization crisis management within the British Petroleum when the British Petroleum Deepwater Horizon oil rig ruptured in the Gulf of Mexico with an explosion that killed eleven rig workers and triggered the largest environmental disaster in North America. A brief overview of the historical development of British Petroleum is presented, and an analysis of the present crisis situation in which the organization found itself is presented in some detail. It was concluded that British Petroleum is now in a very difficult position in the chronic crisis stage due to the failure of its management to facilitate a timely response to the malfunctions of its vehicles. This is an excellent example of crisis mismanagement by a previously recognized world leader.*

**Keywords:** British Petroleum, Leadership, Crisis Management

### **1. Introduction**

It has been said that: “We are now at the start of what may become the most dramatic change in global order in several centuries...What we are facing isn’t one single shift...as much as an avalanche of ceaseless change...creating...unprecedented disruption and dislocation” (Ramo, 2009). In essence, we may be entering a period of unprecedented corporate crises. When a crisis is approaching, it is much easier to seize and act upon, but of course it must be realistically recognized. Once a crisis has passed through the threshold of preliminary (pre-) crisis recognition and action it is much more difficult to seize and effectively act upon, and thus the opportunity to more easily deal with it will have passed.

Worldwide crises, from a global environmental crisis to a loss of national identity are impacting organizations (Friedman, 2008). Additionally, the world is truly becoming one interrelated marketplace, with walls, both physical and psychological, falling, barriers collapsing, boundaries blurring, and technology flattening the overall landscape, and at the forefront is the consumer-centric age. The importance of leader’s ability to manage crises and catastrophes cannot be understated. Preparations for large-scale crisis must be a management objective for the security of citizens served (Somers & Svara, 2009). Friedman (2006) refers to this phenomenon as a triple convergence of the elimination of all walls, ceilings and floors to create a new flat world platform. Pink (2005) describes this as a seismic---though as yet undetected---shift now under way...moving from an economy and a society built on the logical, linear, computer-like capabilities of the Information Age to an economy and a society built on the inventive, empathic big-picture capabilities of the...Conceptual Age. The corporate leader’s implications of managing a crisis in this new age are, indeed, complex and surreal in comparison to previously existing conditions.

In the case of virtually every organization, a particular crisis can be expected to be on the horizon, presently existing in full force, or having just passed through---or a combination thereof. The constant existence of crises has also taught the world of business that a crisis can occur with little to no warning, anywhere, anytime. It can happen to any organization, large or small, at every stage of development, in every industry, and operating locally, nationally or globally. It is, in other words, the safest of assumptions that a crisis looms on the horizon of every organization (Nurmi and Darling, 1997). This has been referred to as a “Black Swan.” A Black Swan being a highly improbable and unnerving event with three basic characteristics: it is unpredictable; it causes massive impact; and after the fact, an explanation is concocted or invented that makes it appear less random and more predictable than it was (Taleb, 2007).

However, this is not necessarily bad news---merely reality. And if this reality is accepted as a given, one will acknowledge that in these complex and unpredictable times anything is possible, including a crisis that may be at least initially perceived as devastating and professionally threatening to individuals and/or organizations. If leaders will accept this, then they will be in the right frame of mind to accept the contention that forms a basic premise of this article: with proper advanced contingency planning and preparation, and appropriate recognition, there can often be a positive opportunity side to a crisis. The Chinese have embraced this idea. The symbol of their word for crisis, called *weiji*, is actually a combination of two words: “danger” and “opportunity.”

One does not have to be a president or chief operating officer of a major globally recognized organization, such as BP, to benefit from the ideas presented here. Virtually every individual, at any level in the organization, can manage a crisis to his or her advantage. This is true for board members, chief executive officers, vice-presidents, department managers, or whomever. The key word here is “individual.” While a crisis may strike at the heart of any organization, it is always an individual (or team of individuals) who must have the courage to respond. As has been often noted in one way or another, courage is the greatest of all virtues, because if one does not have courage he or she may not have the opportunity to use any of the other virtues.

This paper argues that if the leaders of British Petroleum failed to address, in a timely fashion, the four distinct phases of a business crisis paradigm as modeled by Fink (1986). While this may not be the only model for addressing organization crisis management, it is recognized as an effective approach which incorporates the essential elements that must be addresses for an effective outcome. There are typically four distinct phases of the Fink business crisis paradigm---focusing on the pre-crisis, acute crisis, chronic crisis and crisis resolution stages (Fink, 1986), and each of these phases will be described in some degree of detail in the present case analysis. Within the framework of this paradigm, the objective of this article is to explore the efforts that are commensurately necessary for successful organization crisis management, particularly when consumer safety threatens the reputation of the organization. The analysis focuses on leadership of the infamous British Petroleum 2010 Deep Water Horizon tragedy, shown in an effort to deal effectively with the evolving crisis.

## **2. Conceptual Framework**

### **Nature of Organization crisis management**

In analyzing the nature of crises and organization crisis management, one must first recognize what organization crisis management is not (Littlejohn, 1983). Organization crisis management is not mismanagement. Often, due to inappropriate or inadequate planning or the absence of any kind of substantive planning at all, organizations engage in regular crisis-type situational reactions. Without ordered priorities, managers seldom know which situations call for immediate attention and which do not. As a result, management is often unable to continue functioning in the face of true crisis situations. This is mismanagement! Organization crisis management should be composed of a systematic approach for dealing with real crises so that the organization continues to function as normally as possible.

Nor is organization crisis management a quick-fix solution. However, the time window to act is often very narrow. Organization crisis management entails forecasting, identifying, studying and acting upon crisis issues, and establishing procedures that would enable an organization to prevent or cope with crises (Nurmi and Darling, 1997). In this regard, it has been cautioned that what you do not know is much more important than what you do know (Taleb, 2007). Additionally, organization crisis management requires senior leaders to encourage employees to talk to each other---to communicate (Goleman, 2002). Organization crisis management is usually not solely represented by a separate operational unit within the organization. It is typically a systems-based combination of operational units brought together to manage a particular situation. And finally, organization crisis management does not require that all personnel, or even a large number of personnel, stop functioning to address a given crisis.

### **2.1 Crisis Management Defined**

What is organization crisis management? For purposes of this paper, the organization crisis management paradigm references the continuous process by which leaders make choices from a set of crisis strategies for the organization that will enable leaders to achieve the best outcome possible in a crisis situation based on the outcomes possible.

Crises in organizations typically follow the pattern of occurring first as unforeseen conditions with swift happenings that develop vigorously over months or minutes (Farazmand, 2007). Sometimes prediction of the events occurs years in advance, as with the flooding of New Orleans after Hurricane Katrina. Unfortunately, such a crisis still surprises many leaders when they occur. Traditional theory states that there are three distinct phases of crisis management; prevention, preparation and containment (Starling, 2010). Gooden et al., (2009) offer a contemporary view including four steps to achieve a comprehensive approach to organization crisis management. They wrote, comprehensive crisis management is the process of accomplishing tasks in four phases; mitigation, preparedness, response, and recovery. Schneider (2008) offers four “critical assumptions” for addressing major crises on a broader scale. They include;

1. Disaster (crisis) response is best controlled at the lowest level possible,
2. All levels of responders are to participate as partners,
3. All responders involved are to take duties and functions earnestly, and
4. Leaders must understand the configuration and operation of approved crisis response systems.

In essence, Fink’s model of effective organization crisis management provides an organization with a systematic, orderly response to crisis situations. This response paradigm permits the organization to continue its day-to-day operations while a particular crisis is being managed. Furthermore, systematic organization crisis management creates an early detection or warning system. Many crises can be prevented---or at least dealt with more effectively---through early detection. In addition, an organization should capitalize on the expertise of appropriate individuals from various operational areas to plan for and manage the crisis situation when it arises. The contemporary-based quantum skills of seeing intentionally, thinking paradoxically, feeling vitally alive and involved, knowing intuitively, acting responsibly, and trusting life’s processes can be of enormous value in effective corporate crisis leaders (Shelton and Darling, 2001). Understanding and using these quantum skills helps corporate crisis leaders to address issues more intentionally and creatively, and to give them a deeper sense of meaning and fulfillment, and concern for the good of the whole.

### **Definition of a Crisis**

The term “organization crisis management” is commonly used because it can apply to a wide variety of circumstances that might disrupt the normal course of activities in an organization. The term “crisis” will obviously vary from one organization to another. Furthermore, some organizations will prefer to replace the word “crisis” with the word “issue.” Instead of calling it “organization crisis management,” it might be referred to as “issue management,” or in the case of more optimistic leaders, “opportunity management.” However, the label is not the important thing. What matters is the overall manner in which an organization systematically and continuously audits its environment and operations in all of its areas, and plans for how crises, however interpreted, can be appropriately managed.

What defines a crisis in an organization depends on a number of variables, including but not limited to: the nature of the events; the importance of the issue to the stakeholders involved; the impact on other organizations and industries; how many and how quickly individuals inside and/or outside of a particular organization need to be helped or informed; who and how many people need interpretation of the events and how accessible those individuals are; how much interaction with the media is necessary; what the media choose to emphasize; who and how many people need emergency care; how much the organization needs to assert control and demonstrate that it is capable of responding; and how quickly the organization needs to respond (Shelton, et al., 2003). A crisis may also be defined by a feeling of panic, fear, or danger, and the commensurate intra-organization effects those feelings have.

Farazmand (2007) coined the term “surprise management” for organization crisis management to describe the charge of leaders in times of crisis. He adamantly calls for leaders to adapt to the scenario, evolve with the conditions presented, and respond in extraordinary capacity. Several of the common barriers for leaders’ learning and adaptation during times of crisis are:

- The high consequentiality of crises makes trial and error learning prohibitive,
- Crises require interorganizational rather than organizational learning,

There is a lack of relevant experience, heuristics, SOPs (standard operating procedures), or technologies to draw on,  
The scope of learning required is greater than for routine situations,  
The ambiguity of previous experience gives rise to faulty lesson drawing,  
Crises narrow focus and limit information processing,  
There is a rigidity of response: actors recycle old solutions to new problem,  
Political dynamics give rise to bargaining and suboptimal decisions,  
Crises provoke defensive postures and denial of the problem, responsibility, or error, and  
Crises provoke opportunism as actors focus on their positive role.

Farazmand (2007) calls for strategic thinking during crisis situations requiring quick thinking and decision-making. Surprise (Crisis) management requires ample resources to operate, with no constraints but clear accountability... [and] requires autonomy and authority in performance, but it is also accountable to democracy. Some leaders avoid involvement in crisis management due to a lack of awareness; by focusing on matters deemed more important; by minimizing perceived risks; and through an absence of crisis management professional training (Somers & Svara, 2009). Somers and Svara (2009) further contend, leaders would benefit greatly in daily operations from real world experience in crisis management techniques and decision-making processes. Exposure to the surprises of crisis response and the mental demands required for timely decisions sharpened the skills of those at all levels of the organization.

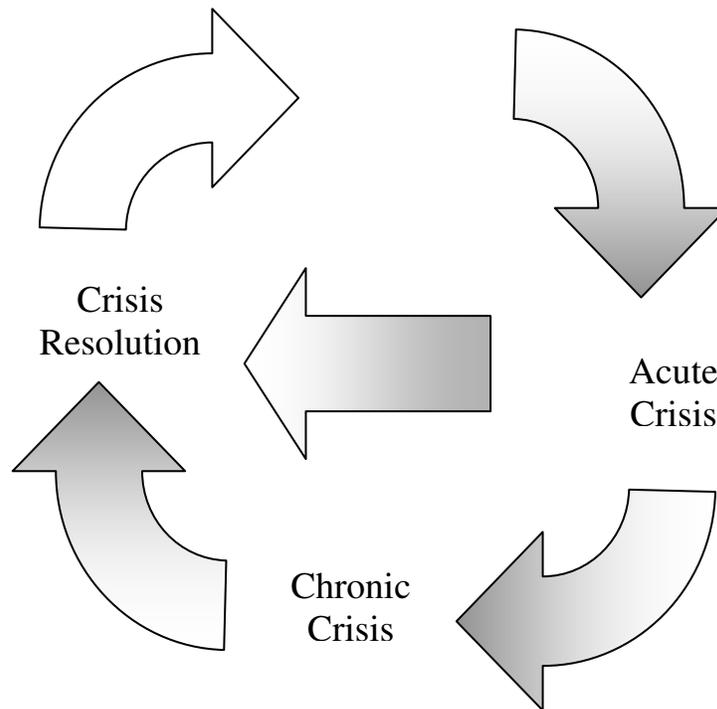
## **2.2 Anatomy of a Crisis**

The real challenge is not just to recognize crises, but also to recognize them in a timely fashion and with a will to address the issues they represent. What are the early warning signs? What analyses serve to give early warning of change and possibility of a future corporate crisis? Again, the challenge is not only to recognize the crisis but also to bring the complex factors into focus in such a manner that leaders can understand and marshal the forces necessary to address the situation. In all organizations, the process may move beyond the organization to determine the interaction of external and internal environments and factors in the various operational arenas involved. This is particularly noticeable when the global arena is involved.

A crisis has been defined as a “turning point for better or worse,” “decisive moment,” or “crucial time.” A crisis can also be described as “a situation that has reached a critical phase” (Darling, et al., 2002). A crisis is, therefore, an unstable time or state of affairs in which a decisive change is impending---either one with a distinct possibility of a highly undesirable outcome, or one with a distinct possibility of a highly desirable and extremely positive outcome. Any corporate leader who can anticipate and plan for a turning point in his or her organization stands a far better chance of capitalizing on that opportunity than someone who allows the crisis to sneak up on him or her unprepared. Contrary to popular belief, a crisis may not be necessarily bad. It is merely characterized by a certain degree of risk and uncertainty (Fink, 1986). Corporate crisis planning is the art of removing much of the risk in uncertainty, thereby allowing leaders to achieve more control over the destiny of an organization, and thus creatively exercising the role of management leadership (Darling, et al., 2002).

Crises can be of a short duration or a long duration, with minor or major impacts on a particular organization. A crisis in an organization can therefore consist of as many as four different and distinct phases, although in some cases these phases can be so closely related that they fuse together in close proximity. These phases are: (1) Preliminary (Pre-) Crisis Stage; (2) Acute Crisis Stage; (3) Chronic Crisis Stage; and (4) Crisis Resolution Stage. The operative word with regard to the anatomy of a crisis is, of course, for the leaders to *recognize* and begin to take control of the crisis situation. The leadership has to recognize the pre-crisis in order to intervene proactively. Not all crises have all four of the crisis stages noted above, but each of the four is very common to any major crisis (see Figure 1).

### 1. Phases of a Typical Crisis Cycle



### 3. Role of Leadership

It is through the development and implementation of meaningful leadership strategies that *effective organization crisis management* becomes a reality for an organization. In this regard, there is a profound difference between corporate management and leadership, but one should readily recognize that both are important. Additionally, to manage means to bring about, to accomplish, to have responsibility for, and to conduct--to lead means to perceive, to influence, and to guide in direction, course, action or opinion (Darling, et al., 2002). The distinction is crucial when it comes to successful organization crisis management, particularly with crises that occur across cultural boundaries. Managers are people who do things right, and leaders are people who do the right things. Thus, the difference is that managers control resources, master procedures and routines, and accomplish goals and objectives, while effective leaders communicate and coordinate among people in guiding the organization's operations. Indeed, leaders are those individuals who take responsibility for successful organization crisis management and the individuals affected, and implement contingency planning paradigms that benefit stakeholders and the organization.

The degree to which managers are also leaders when it comes to dealing with crises relates to how they understand and carry out their responsibilities. Those who are successful view themselves as leaders, not just managers. This is to say that they concern themselves with their organization's excellence in all respects. Their perspective is vision-oriented (Bennis and Nanus, 1985). They do not limit attention to the *how to*, the proverbial *nuts and bolts* of operational performance, but include the parameters of planning and action, the *doing the right things*, particularly as those relate to the meaningful involvement of all stakeholders within the organization in addressing a crisis situation. Leaders cannot develop creative solutions to complex problems unless they can see, hear, open up to, and engage all of the stakeholders. With regard to successful organization crisis management, a primary test of effective leadership lies in giving opportunities for meaningful involvement to others within the situational context of the organization.

This helps enormously in the process of providing meaning and a sense of worth---thus an increased level of commitment and purpose-fulfillment---for people in the organization (Wilkinson, 2003). Effective leadership in dealing with crises requires individuals who do not depend on hierarchy and subordination.

These contemporary leaders help to create enhanced capacity in their people. Subordinate leaders and followers, in turn, give up their need to be treated like only internal corporate employees, and instead also become responsible stewards of the organization's stakeholders (Nasi, 1995). Research on organization crisis management leaders revolves around the necessity of "specialized expertise" beyond common organization structure that must be flexible, robust, upgraded constantly, and well informed (Farazmand, 2007). For many leaders acting outside the realm of normal operating procedures may be a nightmare. The reality involves frustration with allocation of resources when needed, not when authorized, resistance from those outside the organizations' chain of command, and intense public scrutiny for decisions made. In their discussion of leadership, Bolman and Deal (2003) argued that the prevailing mythology of leaders is that they are rational individuals who plan, organize, coordinate and control the activities of their organizations. They are individuals who are unruffled, and organized. Their specialties include the development and implementation of farsighted strategies and the production of predictable and effective results. Unfortunately, they argue, this mythology is in fact more myth than reality (Bolman & Deal, 2003). They argued that separating the myth from the reality requires the acknowledgment that the complex and dynamic issues (crisis management) that modern leaders are faced with issues which require more than the old models of leadership are able to provide, both in theory and in practice.

To be successful in today's "Black Swan" or crisis-intensive world, leaders must develop and nurture new skills that are congruent with the perspective of organizations as human-based systems that are fundamentally encased in highly changeable, interactive, systemic working conditions, rather than stable, machine-like operations. The basic principles of quantum mechanics and relationships provide meaningful insights into a world that is objective and subjective, logical and irrational, linear and nonlinear, orderly and chaotic, and a world in which the process of observation somehow affects that which is observed (Shelton and Darling, 2001).

#### **4. Brief History of British Petroleum**

BP is one of the world's oldest global petroleum corporations. Unlike early corporations whose roots were national and then expanded globally, the business scope of BP was global from its chartering in 1903. From the start of the twentieth century into the beginning of the twenty-first century, British Petroleum (BP) pursued a relentlessly profit-driven business plan to satisfy mankind's seemingly insatiable appetite for petroleum. The process of extracting natural resources from deep beneath the earth's surfaces, both dry and wet, has progressed in concert with advances in human endurance and technological capacities. However, along each step of this history have appeared a myriad of challenges to the public interest which have pushed the edges of human and technological capacity to address and mitigate the dangers that come with convincing the planet to release its stored wealth. BP's track record in occupational and human safety is far from spotless over the course of its more than 100-year history. In recent decades, with a public increasingly aware of, and sensitive to the environmental impacts of oil drilling, the intersection between what is good for public interest and what is good for private profit interest are ever more adjudicated in the realm of governmental affairs. This brings with it new expectations to balance these competing interests from environmental law, national security, public sunshine laws, energy policy development, occupational safety, and commerce and industry.

Offshore oil drilling started in the 1930s one mile off of the coast of Louisiana. Early efforts to pursue oil deposits in the Gulf of Mexico's were first focused in the shallow waters that hugged the coastline. The unusually gradual slope of the Gulf's sea floor, where being miles offshore still meant being in relatively shallow seas, coupled with the semi-dry marshy characteristics of the Gulf along the coastlines. Although offshore oil drilling in the Gulf was largely restricted to shallow waters (under 656 feet) increasingly new and large oil field discoveries were deeper (more than 3,281 feet ) below the surface of the ocean. Deep water offshore oil drilling, with its increased technology, expense, and risk, required that the exploration investment would return a significant return on investment. On the night of April 20, 2010 a natural gas surge erupted from within the drilling line of the BP Deepwater Horizon oil rig. This resulted in a massive fiery explosion that consumed the drilling platform and killed eleven workers. The semisubmersible drilling rig, leased to BP and operated by Transocean, a subsidiary of Halliburton, burned and sank, tearing from the sea floor the drilling pipe attached to the well drilled into a large oil deposit known as the Thunder Horse field. The tragic deaths and the property damage triggered immediate investigations by the Department of the Interior and the Department of Homeland Security the next day. However, there was no immediate concern about oil being spilled from the ruptured oil well.

Federal regulations require that rigs such as BP's Deepwater Horizon were required to have blowout containment equipment for just such a crisis. Two days after the explosion and after sending a remote controlled robot to the underwater oil well site, BP reported that no oil was leaking and it seemed that a worst crisis had been averted. That assessment changed for the worse when, on April 24<sup>th</sup> BP reported that up to 1,000 barrels per day were, in fact, leaking from the oil well. Three days later the U.S. Coast Guard increased that estimate to 5,000 barrels per day. By the end of April, the nation's attention was riveted on the BP Deepwater Horizon oil spill crisis and the ongoing, but failed, efforts by BP to cap the gushing oil leak. A sense of helplessness was overtaking the crisis and on April 30, in part due to public pressure for federal governmental action, President Obama announced a moratorium on all new offshore drilling until the cause of the BP Deepwater Horizon spill was determined.

By the middle of May, the U.S Geological Survey revised the estimate of 12,000 to 19,000 barrels escaping per day. On June 15, federal government officials report that up to 60,000 barrels were flowing unimpeded into the Gulf each day. While the initial estimates by BP may have simply been human error made in an extremely difficult and confusing environment, federal officials were aware that fines for oil spills levied under the Clean Water Act were calculated on a basis of \$1,000 to \$4,300 per spilled barrel, with the higher fines determined by the degree of negligence (The Oil Well and the Damage Done; BP and the Oil Spill. The Economist). During the month of May discussions were underway involving federal officials and BP chief executive officer Tony Hayward to reassure the American public that BP would provide full restitution for damages caused by the oil spill. A high profile meeting was held at the White House on June 16 with BP global executives, Carl-Henric Svanberg, chairman, and Tony Hayward, and President Obama. Following the meeting, the White House announced that BP would immediately establish a \$20 billion liability fund to help cover oil spill damages. Both BP and government officials offered reassurances that this liability fund would not have a cap and that all legitimate claims would be covered.

On July 15, after several failed attempt at stopping the leak, BP lowered and tested a temporary cap for the well that would capture and divert oil to oil tanker ships above and/or close the well entirely until relief wells could be drilled. On July 16, the federal government and BP officials proclaimed that the cap test was successful and, after 89 days of free-flowing oil into the Gulf of Mexico the BP Deepwater Horizon oil well was temporarily closed (CBS Interactive). On September 19, 2010 BP confirmed that the well was permanently sealed. Tony Hayward had become a household name along with other individuals closely associated with the crisis such as Retired Coast Guard Admiral Thad Allen. However, to many Americans it was Hayward who to represented the string of failed attempts by BP to close the leak and who embodied perceptions of corporate indifference with a series of poorly chosen words for the press and U.S. Senate hearings in Washington D.C. Unfortunately for BP more revelations of past BP crises and investigations surfaced.

Efforts were made to improve the overall image and practices of BP when Tony Hayward was brought in as new chief executive in 2007. His professional background was in exploration and drilling and it was expected that this orientation would allow a shift to field safety and quality production controls that the company allegedly sought. However, leading and implementing organization change required a timeline measured in decades combined with consistency in leadership. The criticism and scope of the crisis were overwhelming for BP's board of directors and Hayward stepped down as CEO on October 1, 2010. In the nearly four years that Hayward led the company, the count of reported Recordable Injury Frequency (RIF) measuring the number of reported work-related incidents that result in a fatality or injury per 200,000 hours worked fell among employees and contractors alike (CBS Interactive). Yet there continued to be crises and legal settlements for BP during Hayward's tenure. Were Hayward's efforts to reform BP insincere or insufficient? Had there not been enough time to change the culture of the global conglomerate? With Hayward's departure from BP and the new chief officer Robert Dudley assuming the mantle of leadership at BP, these questions may never be answered.

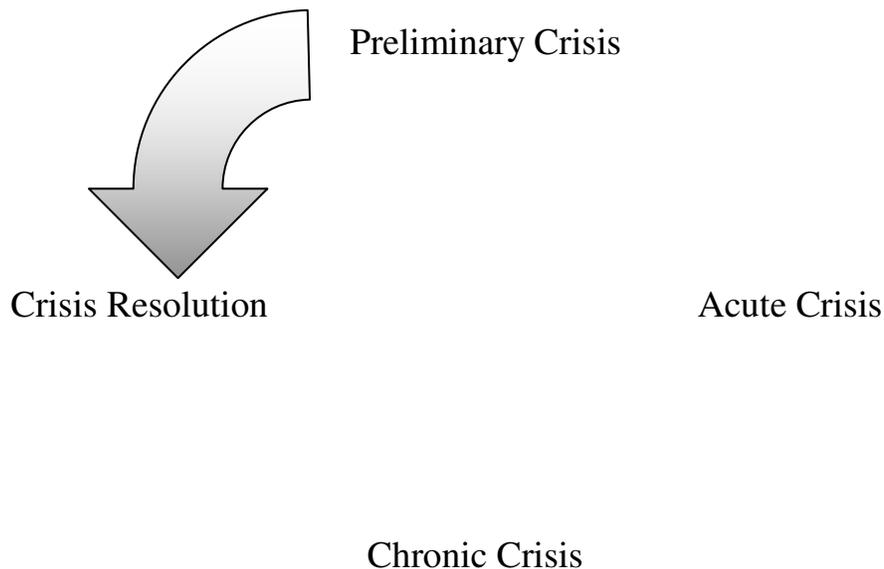
## **5. The BP Crisis**

### **5.1 Preliminary (Pre-) Crisis Stage**

As noted before, the pre-crisis stage is the warning stage, which may be extremely short or even immediate. In this situation regarding BP, the pre-crisis stage should have become obvious to BP's leaders and appropriate corrective steps could have been taken accordingly prior to the spring of 2010. In order to meet the world's increased demand for energy, BP (like other companies) calculated with sophisticated business modeling where it could, and should, drill for oil while simultaneously mitigating risk to its capital, political, and social assets.

Unfortunately, the BP's Gulf of Mexico Deepwater Horizon rig proved that the most suffocated models do not always work. In some situations, a pre-crisis awareness may be oblique and much harder to recognize, and sometimes this stage is evident but no action is taken and an acute crisis occurs, as was true at BP. Occasionally, no action is taken as a result of a pre-crisis---a lack of response that may be caused by "analysis paralysis" or obsessive decision-making within the business organization (Nurmi and Darling, 1997). The reason why pre-crisis are so important to catch early on is that it is much easier to appropriately manage a crisis at this stage. In the case of most crises, it is so much more logical to take care of the problem before it becomes acute, before it erupts and causes possible complications, or in case of BP, an environmental, financial, and public relations disaster. Therefore, the ideal BP's crisis manager's paradigm would appear similar to Figure 2 that reflects a process of moving directly from the preliminary crisis to the crisis resolution stage.

**Figure 2. Appearance of a Preferred Crisis Cycle**



## **5.2 Acute Crisis Stage**

The acute stage for Bp began on the night of April 20, 2010 when a natural gas surge erupted from within the drilling line of the BP Deepwater Horizon oil rig. As mentioned earlier, this resulted in a massive fiery explosion that consumed the drilling platform and killed eleven workers.

Of course, it would have been of significant importance if BP had already recognized the impending crisis at the pre-crisis stage---or the initial warning point. Knowing how to recognize and manage the pre-crisis stage before it erupts into the far more serious acute crisis stage is often what spells the difference between an organization that benefits during a crisis, and one that suffers needlessly. BP leaders needed to understand the pre-crisis to be a predecessor to an acute crisis. In many respects, the acute crisis stage is the point of no return with regard to corporate crisis leaders. Once the warnings have ended and the organization has passed from the pre-crisis to the acute crisis stage, leaders can almost never recover the ground lost in the process.

At this stage, it must be recognized that at least some damage has been done; how much additional damage occurs depends, in most cases, on the quality and ingenuity of the leadership. The key, of course, is to control as much of the crisis as possible at this stage. If the acute crisis cannot be controlled, the manager should see if he or she can exert some degree of influence over where, how and when the crisis erupts further, quite often in the public arena with commensurate extensive media coverage. In many respects, the BP management leadership team failed to effectively deal with the acute crisis stage and dissipate the enormous negative results that this stage brought into focus.

One of the major difficulties in managing a crisis during the acute phase---even if an organization is ready for it---is the avalanche-like speed and intensity that often accompany and characterize this stage. The speed is dependent primarily on the type of crisis, while the intensity is usually determined by the severity and/or value of the possible outcomes (Darling, 1994). Failing to gauge the potential speed and intensity while the organization was still in the pre-crisis stage, the BP leadership lost the opportunity to prepare for managing and controlling the crisis through the acute state. The acute crisis stage is often the shortest of the four phases in the crisis paradigm; but because of its emotional, mental, and physical intensity this stage may feel, to the management and to the organization, as though it is the longest and most difficult phase. Once an organization has entered the acute crisis stage, managers and other appropriate individuals need to assess how much immediate danger exists and determine which people, if any, are most vulnerable to the crisis and its repercussions. In a given crisis, the danger may be localized to a specific area of the organization or to a particular population within the organization. Managers need to think creatively and ensure that all of the appropriate stakeholders of the organization know what is happening and feel involved in the organization's response to the crisis (Shelton, et al., 2003). It is difficult to understand how BP, whose core principles incorporated a pre-crisis detection process, could not have foreseen the upcoming crisis.

### **5.3 Chronic Crisis Stage**

Two days after the explosion and after sending a remote controlled robot to the underwater oil well site, BP reported that no oil was leaking and it seemed that a worst crisis had been averted. However, this assessment changed for the worse when, on April 24<sup>th</sup> BP reported that up to 1,000 barrels per day were, in fact, leaking from the oil well. Three days later the U.S. Coast Guard increased that estimate to 5,000 barrels per day. By the end of April, the nation's attention was riveted on the BP Deepwater Horizon oil spill crisis and the ongoing, but failed, efforts by BP to cap the gushing oil leak. A sense of helplessness was overtaking the crisis and on April 30, in part due to public pressure for federal governmental action,

During the chronic crisis stage, the crisis should come under control rather soon, but because of the lack of attention during the pre-crisis stage, and the consequent magnitude of the many negative events that occurred during the acute crisis stage, this crisis stage will probably continue to be of long duration and require significant resources---particularly in BP's efforts to reestablish the public's trust in the organization. During continuing government investigations, which are certainly a significant possibility, further U.S. congressional reviews, government audits, continuing media coverage, and a long period of interviews and explanations, this is when such lingering issues settle in. This stage will also encompass a period of recovery, of self-analysis or self-doubt, and of healing. It may also be a time of financial upheaval, leadership changes, or other operational problems. With regard to BP, the chronic crisis stage may exist for sometime into the future based on the interconnectedness of the oil industry and the American public.

Skillful leaders of business organizations use the chronic crisis state wisely as a good time for further organization crisis management planning---analyzing what went right or what went wrong and why the crisis event occurred---and taking appropriate actions. With good organization crisis management leadership skills, this period may also become a time for congratulations and for plaudits and testimonials of how the crisis was successfully handled. Successful organization crisis management is typically a team effort within an organization, and recognition should be appropriately given (Darling, et al., 2002). What went wrong at BP was not a problem of process involving employees and middle management, but rather a problem of senior management failing to recognize the issues and respond in a timely and effective way to safety problems that evolved into an environmental crisis and public relations disaster.

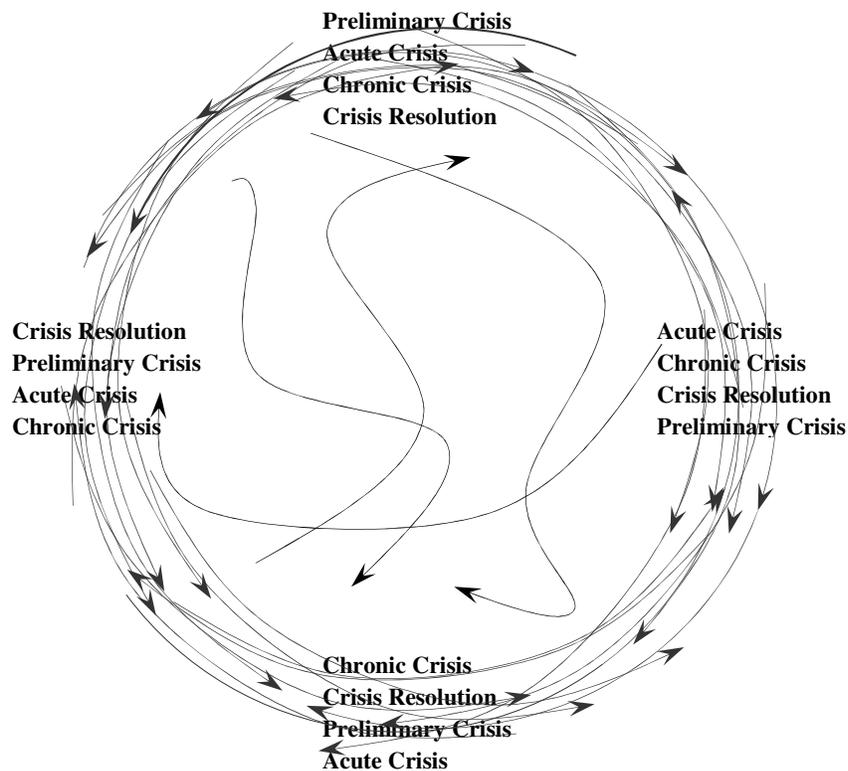
In achieving greatness, becoming the largest automobile manufacturer in the world, BP leaders may have lost their sense of operational balance and fell victim to the arrogance of their success and power. While corporate humility has perhaps been an essential element of BP's learning and improvement processes, arrogance may have become the assassin of BP's recognized success. BP has joined the ranks of a number of other organizations facing unpredictable corporate crises in the first decade of the 21<sup>st</sup> century. Those leaders, engaged in self-righteous, denial of the potential risks, and thereby took halfhearted measures to resolve the challenges facing the organization. The BP leadership merely wished the risk to go away. When leaders become fixated on their own success and the success of their company, a healthy paranoia is lost.

### 5.4 Crisis Resolution Stage

On July 16, the federal government and BP officials proclaimed that the cap test was successful and, after 89 days of free-flowing oil into the Gulf of Mexico the BP Deepwater Horizon oil well was temporarily closed and on September 19, 2010 BP confirmed that the well was permanently sealed. It is this fourth and final stage that should be the corporate crisis manager’s goal during the preceding three phases. When the pre-crisis stage is spotted, the executive’s objective as an effective crisis manager is to seize control swiftly and calculate the most direct and expedient route to achieving a resolution of the crisis. The leadership goal is to focus the turning point into an opportunity if at all possible. However, if the pre-crisis opportunity slips by unchecked, as was true at BP, the actions and decisions during the acute and chronic crisis stages should be guided by the primary goal of: “What can be done by the company to speed up its response to this phase and resolve this crisis as quickly as possible?”

In reality, as might already have been discovered in any given organization, the light of resolution the manager begins to see at the end of one crisis may very well be the pre-crisis light of an oncoming crisis (Fink, 1986). Because crises are not tiered on a convenient plateau system, crisis cycles often make it difficult to see where and when one crisis ends and another begins, or at what stage the organization is in when encountering multiple crises simultaneously (see Figure 3). This is especially true in situations where the ripple-effect complications of one crisis set off one or more other crises within the organization.

**Figure 3. How Crisis Cycles May Appear**



The BP leadership has indicated that denial to minimize and mitigate the critical safety problems and potential environmental crisis it was facing was the wrong approach. These leaders failed to immediately address the American public and appeared less than forthcoming about critical safety issues and accompanying environmental crisis. However, a major question remains: has this crisis permanently marred the BP brand?

### ***Crisis Planning and Relationships***

It would be a useless investment of time and energy for leaders to spend a great deal of time conjuring up all of the crises their organizations potentially may face in the future. The list may well be infinite; but what is eminently more sensible, and much more manageable, is to identify the process necessary for assessing and dealing with future crises as they arise (Nurmi and Darling, 1997). At the heart of this process are appropriate information systems, planning procedures, and decision-making techniques. At the center of any meaningful system for problem-recognition and decision-making regarding crises lies a soundly based information system. An important element of such a system includes the capability to describe the organization's current situation and to make solid projections about its future. A continuous corporate-oriented environment scan, which is a product of the collection of relevant data on economic, social, government, technology, competitive and other developments over a period of time, connects the organization with the larger world and is used to identify trends and forecast their possible impact on the business and its operations.

The interesting irony of the planning process within the typical organization is that planning has often been seen as less important in times of calm; but it is virtually impossible in times of crisis as the corporate constituencies may often move to protect their own special interests. Comprehensive planning must become an integral part of an organization's mode of operation in good times and bad. An ongoing planning process that includes alternatives and contingencies is a major element in determining an organization's ability to respond to crises. And, of course, a superior information system and a quality planning process do an organization little good if the ability to convert the results of planning into action is lacking. The uncertainties of the future call for a more inclusive process in decision-making, based on concern about the future success of organizations, and the importance of their positions in the domestic and global marketplaces. It also requires involvement by all affected parties in the interactive and decision-making processes, and a true sense that decisions are made openly and that a realistic climate of fairness exists.

### ***6. Summary and Conclusions***

George Bernard Shaw said it long ago: Some see things as they are, and ask: Why? I prefer to see things as they might be, and ask: Why not? (Humbert, 2010). Organization crisis management in a business organization can often be the "Why not?" a positive turning point for the organization, if responsible individuals will reflect true management leadership skills, seize the opportunities available to make a difference in the organization and the lives of individuals they are called upon to serve, and throughout this exciting journey.

Whether or not BP leaders have successfully addressed the crisis will not be known for some time. But what was obvious was that organization crisis management did not seem to be in BP's thinking. Was BP's response atypical or would it be typical for any leadership team? Unfortunately, such corporate responses as those of BP may be too familiar. A slow initial pre-crisis response, minimizing the acute crisis through foot-dragging on the product recall, poor communication with the public about the problem in the chronic crisis stage, and too little compassion and concern for consumers adversely affected by the product during the crisis resolution may too often be typical.

Today, BP is working on marketing and advertising campaigns to reassure the American public that it has assumed full responsibility for the environmental and economic crises. A twenty billion dollar fund was established, with federal government oversight, to compensate individuals for their economic losses. Additionally, funding was established to clean the oil sludge from the beaches, relocated wildlife and establish a pristine environment. Hopefully, these decisions and actions are helping to restore BP's worldwide reputation.

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