Management Issues with the BP Oil Spill

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Over the past ten years, societies and businesses have been continuously changing at a rapid pace, applying an unprecedented urge to act, more often people are asked to make decisions quicker. The thinking behind making quicker decisions is that profits and/or market share will be increased and quicker recoveries from problems. Quick decisions are generally a good thing that leads to good outcomes, but when executives and managers are under pressure to make quick decisions, their decision making ability may be impaired. Executives and managers under pressure may not take the time to gather all the facts and thus act prematurely, which may not lead to an immediate problem, but eventually will catch up to that person or the company. When bad decisions catch up to people and companies, those involved experience more situations where they are required to act quickly to minimize their losses. We currently see this happening with the BP Oil Spill that has been going on for three months. BP has encountered many environmental problems in the past from taking short cuts and one has now caught up to them in a big way. BP management lacks the necessary skills to deal with the unintended consequences of past decisions that lead to the spill. But now both management of BP and the U.S. Government are failing in their response to the massive oil spill in the Gulf. In the following sections, the paper will examine five core management failures that have occurred in the past or are currently hindering the oil spill clean-up.

The first core problem in this recovery is the inability of BP, including the experts, to keep pace in a fast changing, dynamic marketplace and to respond effectively when conditions are complex and ambiguous. The inability to fix the problem and contain the collateral damage is agonizing for the Gulf Region. The challenge that BP and the government experience is the need to simultaneously gather, decipher, analyze, decide and then act on information with little margin for error. Every management decision starts with a plan. The U.S. Coast Guard and BP both had plans for a Gulf oil spill, but both now say their plans failed to anticipate a disaster that could affect such a massive amount of coastline at once. These two organizations should have had plans for the biggest oil spill in the world because it is best to plan for the worst case scenario. The U.S. Government, which under the National Oil and Hazardous Substances Pollution Contingency Plan, is in charge of fighting large spills and states that the government must direct all federal, state or private actions to clean up a spill where a discharge poses a substantial threat to the public health or welfare of the United States. This federal law states that the government should have been in charge from day one and have established a plan for action that could have been derived from previous large spills such as the Exxon Valdez spill in Alaska. In the BP Gulf spill, the federal government said BP was responsible for handling the spill which contradicts the National Oil
and Hazardous Substances Pollution Contingency Plan. The government did not even check the magnitude of the situation themselves and just relied on the numbers and information provided by BP. The government should have at least made sure BP had the resources and was prepared to clean up a spill of this magnitude. The government has plans on what to do during oil spills, but those plans are not affective if the people in power don’t know their authority and take accountability. The confusion of who should be in charge was put best in a Rolling Stone article that stated “letting BP clean up the spill was like a drunk driver getting into a car wreck and then helping the police with the accident investigation.” This leads into the second core management failure, communication.

The media is very much involved into the second core management problem that is occurring because of public image and financial implications. The communication from BP executives and experts has given false numbers regarding the spill in order to downplay the situation for the media and the American public. The initial numbers that were given from BP regarding the spill was the main source of information that supporting organizations used to prepare for the spill. Because BP was trying to save face with the media, the supporting organizations were under-equipped to do their job because of the inaccurate data reported. The Coast Guard, relying on assurances from BP declared that the spill appeared to be limited to oil that was stored aboard the sunken rig. This turned out to be false and on the same day, President Obama left for vacation and didn’t comment on the situation for another week. Both BP and the government have reasons to downplay the extent of the spill. For BP, the motive is primarily financial because under the Clean Water Act, the company would owe fines as much as $4,300 for every barrel spilled in addition to the royalties for the oil it is squandering. For Obama and his administration, the disaster threatens to derail the president’s plan to expand offshore drilling. Over the next five days, BP, the Coast Guard and the Mineral Management Services (MMS) were privately estimating the spill could be as catastrophic as 14,000 barrels a day. No one involved in the situation were communicating effectively because none of the organizations knew what the other organization was capable of or the resources they had. Every organization was pointing fingers at each other claiming the other was responsible and could handle the situation. The best comments that sum up the relationship between the organizations involved were from Ed Markey, Chairman of the House Subcommittee on Energy and the Environment, who bluntly said “We cannot trust BP. It is clear they have been hiding the actual consequences of this spill.” Another comment that displays the lack of communication is from Lubchenco, the head of National Oceanic and Atmospheric Administration (NOAA), when she offered a bizarre denial of the obvious. “It’s clear that there is something at depth,
but we don’t even know that it’s oil yet.” This connects with the third core management problem, accountability and decisiveness.

It took a full week after the Deepwater Horizon exploded for the government to become fully engaged, which turned out to be a critical lapse that allowed the crisis to spiral out of control. As mentioned above, the oil spill was the government’s responsibility to coordinate the recovery process. The administration’s failure to crack down on BP and to tackle the crisis with the full force of resources the federal government has is likely to haunt the Gulf Coast for decades to come. The government’s indecisiveness was unparallel to any other U.S. disaster. Federal officials were thoroughly confused over what to do and appointed experts to the recovery that ended up asking non-experts what should be done. Rather than applying skepticism to BP’s math, the Obama administration instead attacked scientists who released independent estimates of the spill. This shows that the administration was worried more about their image throughout the recovery process than jumping into the fire and taking accountability to get the problem resolved. The administration should have been leading the investigation and recovery rather than criticizing from a distance. It took 40 days for the administration and the NOAA to deploy its own research vessel and to announce that it was opening a criminal probe of the situation. This administration has gone to unusual lengths to contain the spill’s political fallout and seemed untroubled about leaving the Gulf’s fate in the hands of a repeat criminal offender, and uncurious about the crimes that may have been committed leading up to the initial sinking of the rig. This has to make anyone using common sense think there may be an ulterior motive to have this oil spill prolonged for the administration. Corruption is nothing new in government and politics, but this administration seems to be tangled in more corruption than other administrations before which leads to the fourth core management problem in this situation, ethics.

There has been a troubling story reported on Fox News during the time of this oil spill that really raises a lot of questions that need to be answered. Fox News reported a series of facts which all seem to be connected but have not been proven yet. If this story was connected to all the people involved, the ethical impact on government and businesses alike would be devastating. The corruption involves President Obama and his administration; George Soros who is a billionaire hedge-fund investor that invests in left-wing organizations; the Center for American Progress (CAP) which is a far left progressive organization that has helped shape the Obama’s Administration’s agenda; and John Podesta who is the founder of CAP and an advisor to the President. Fox News reported that George Soros is a heavy
investor in CAP and handpicked the organizations founder, John Podesta, who is helping to select President Obama’s advisors. George Soros’s hedge-fund also invests millions in Petrobras, which is a state-owned drilling company in Brazil that specializes in deepwater drilling. Petrobras is one of George Soros’s top investments. John Podesta and the CAP assists in forming White House policy, including the current Cap and Trade that the President is trying to pass. One of the most important pieces to this puzzle is that John Podesta’s brother, Tony, is a lobbyist for BP. The family affair raises questions about BP’s oil rig explosion being intentional or misfortune. We all know the story from there, the oil rig drilling at 1500 meters operated by BP explodes, prompting Obama to halt new deepwater drilling. Obama orders a 6-month halt of U.S. deepwater drilling, which would cripple the American oil industry, while he promotes his green energy policy. This is the part of the story that mainstream America does not know. George Soros at the time of the spill increased his investment in Petrobras and a couple days later, Obama committed a $2 Billion preliminary investment also in Petrobras. So Obama tries to halt deepwater drilling in America, but then turns around and invests in deepwater drilling in Brazil. It is reasonable to believe through connections that George Soros holds a strong influence with Obama and his policies. The plan was estimated that Obama commits $2 Billion to Petrobras days after Soros’s investment, and then a year or so later bans Petrobras’s American competition from opening new deepwater wells and passes Cap and Trade. Even if these facts are not a result of corruption, the winners in this situation would turn out to be Petrobras and its stakeholders like Soros and Obama. The losers in this situation are the American businesses and thousands of workers who lost their jobs due to anticipated state of the American oil industry. As the current story continues to play out, Obama’s drill ban has been over-ruled but this controversy is still far from over and Cap-and-Trade still being pressed into law. This speculated corruption breaks just about every ethical rule that has been created and is a huge mistake for our government to be caught up in. Mistakes are the common denominator throughout the whole oil spill and recovery process and it leads into the last core management failure, which is not admitting mistakes and trying to get away with it.

Everyone makes mistakes in this world, some are bigger than others, but it’s how you handle mistakes that define the situation. We learned a long time ago that a negative plus another negative only turns out to be a positive in math class. People involved in this oil spill from every organization cannot keep trying to hide their mistakes with more bad decisions that lead to mistakes. They need to realize and admit they made a mistake so they can fix it before they move on. The problem only gets worse when mistakes pile on top of mistakes on mistakes. It was publicly stated by the government
organizations involved early on that “if there are problems in the operation, we will fix them as they go”. This is not a recipe for success, the people involved need to be on the same page and know what everyone around them is doing to help the recovery. Thousands of feet of boom, used to contain the oil spill to a certain area, sat on a dock waiting for BP contractors to install it. It took two days for so called experts to make a decision to install the boom, but the boom wasn’t even installed by BP contractors. Shrimpers in the area took matters into their own hands because BP contractors would not go out in the Gulf because of rough water. The shrimpers laid 18,000 feet of boom compared to the 4,000 feet laid by BP contractors. The situation may be different if the government and BP realized and cared about the magnitude of the situation like the locals did. The U.S. government laid over 10,000 feet of boom but fell victim to local politics. Every community was demanding boom for their area, even if the communities didn’t have the same immediate need, because there wasn’t enough boom for everyone. To make matters worse, the government didn’t have the right kind of boom. Boom built for the open ocean is bigger and stronger than that made for flat, sheltered water. The bigger boom is more expensive and was in short supply. Alabama took matters into their own hands and found the right boom in Bahrain and flew it to their coastline just for the government to take the boom and give it to Louisiana because their situation was more serious. The Coast Guard in return, installed the lighter boom off the shore of Alabama and 2 days later oil reached the beaches of Alabama. This example about booms shows how problems kept getting bigger and bigger until it was out of control and turned political. The government should know what kind of boom they need and have enough for a big spill because almost every oil rig is out in the ocean.

On May 11th, Louisiana state officials asked the U.S. Army Corps of Engineers for an emergency permit to build some 130 miles of berms, which is a raised barrier designed to prevent oil from reaching fragile Louisiana wetlands. Several federal agencies were critical of the proposal and White House officials were also skeptical. The EPA came up with a solution that didn’t involve berms, but required using Corexit 9500, a chemical that is toxic to the sea life but was available in large quantities mainly because it is ban in many areas of the world. Chemical dispersants to break up the oil were approved, then judged too toxic, then re-approved. Ms. Jackson, EPA Administrator, met with many scientists at Louisiana State University regarding the chemical. She was urged by the scientists to wait until further research was conducted, but she was under extreme pressure from BP to approve the chemical. Five Days later, the EPA approved the use of Corexit 9500. A week later, large globs of oil started washing ashore. Scientists blamed the oil getting ashore due to Corexit 9500 because the chemical is intended to
break up oil spills which means the chemical would spread the spill out farther making it harder to contain. Under pressure from scientists and environmental groups, the EPA abruptly turned against using the chemical on May 20th. After finding out that other chemicals that were less harmful to the environment would not be in the Gulf Coast area for 10-14 days, Ms. Jackson stated on May 24th that the agency would not stop BP from using Corexit 9500, but she would cut the amount that BP was using. On May 27th, after nothing else had worked so far, the administration changed its mind again and would allow the Corps of Engineers to construct about 40 miles of the 130 miles of berm proposed by Louisiana. The problem with the Corexit 9500 and berms is just another example of how federal agencies and BP continuously made mistakes and used a trial and error approach that caused the spill to spread further. If the federal agencies took a little more time under pressure to find the correct solution the first time, they wouldn’t have been chasing their tale trying to catch up.

The whole situation with BP and the federal agencies involved has caused the American public to raise an eyebrow wondering what is going on and who is going to step up and take charge to fix the problems. With all the experts and resources involved, someone needs to take accountability and manage the entire situation and establish middle managers that can spread their strategies and visions. Just as societies and businesses have been constantly changing and managers are forced to keep up with the changes, managers and individuals involved in the oil spill need to be able to keep up with the ever changing situation in the Gulf. These managers and individuals involved need to be able to perform under pressure at a steady pace, not just panic and apply the quickest decision that is formed. The people involved in the Gulf oil spill maybe should look to how business managers and CEO’s have adapted to their industries changes to stay ahead of the curve and apply the correlations to their situation in the Gulf.