



[chapter 7 – case discussion]

CASE#2 BP DEEPWATER HORIZON – a poorly managed trigger event?

The case

In 2010, British company BP faced an immediate crisis. On April 20, an explosion and subsequent fire on its drilling rig Deepwater Horizon, about 64 km southeast off the Louisiana (USA) coast, caused the death of 11 workers, injured 17 people, and induced the sinking of the rig. Moreover, the explosion caused a massive offshore oil spill in the Gulf of Mexico. The oil spill later became valued as the largest accidental marine oil spill in the world, and the largest environmental disaster in history of the United States.

The corporate response

BP's CEO Tony Hayward immediately adopted a reactive approach. He initially denied that the disaster would cause serious ecological problems by stating that the oil spill was minor compared to "all the water in the sea". He caused a further kickback reaction when he later tried to put the blame with his US suppliers. After occurrence of the event, it was found that BP had already been warned several times that the rig experienced problems and that rig workers had not raised their safety concerns out of fear of getting fired or delaying drilling. Furthermore, the offshore industry had been lobbying successfully for deregulation of the whole sector – arguing that the companies themselves were sufficiently capable of self-regulation – which they clearly were not. Minor oil spills can potentially be reactively managed, through quick and thorough clean up, but also then it is important to react promptly - not defensively. Major oil spills are a sign of more structural problems.



The business case for sustainability

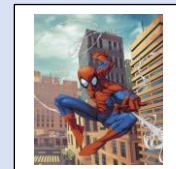
The issue BP saw itself confronted with was not just the massive environmental disaster, but also the fact that the company had made earlier decisions for placing efficiency and price before safety (saving an approximate \$1 million in safety precautions). This mistake is the more interesting, considering that BP had previously been perceived as one of the greenest oil companies. It had changed its value proposition accordingly, and even its logo (representing a green flower). The reputational damage was gigantic, not in the least because the oil spill damaged American waters, making the company susceptible to the US liability regime (see chapter 6). In 2015, BP reached an \$18.7 billion settlement with various American governments. The costs for the clean-up reached around \$54 billion. A detailed estimate of the ultimate costs of the oil spill (including fines, penalties, contingent liabilities, legal fees, SEC settlements, and the like) was assessed at \$145 billion in the US (Lee et al., 2018).

A proactive case would have involved the company to: align early on with critical partners, adopt higher levels of self-regulation and precautionary measures, and co-design shared value creation models. Other companies that have engaged in these kind of strategies, were much less hit by popular outrage when they – unintendedly – created negative externalities.

[example with chapter 10: making it powerful]

Applying and Amending The Peter Parker Principle?

‘With great power, comes great responsibility’
[Stan Lee – Spiderman]



The limitation of hard powers

Advised by his uncle Ben, the struggling hero Spiderman (alias for Peter Parker) tries to implement ‘with great power comes great responsibility’ in practice. The continuous struggle of Spiderman with grasping the exact nature of his powers as well as linking this to his responsibilities not only provides an exciting comic and movie sequel, but also a strong metaphor for the struggle of big corporations around the world when confronted with the challenges of sustainability. Society contains immense power asymmetries, but does that automatically imply power abuse and unfairness? Should corporate power always be contained or can corporate power also be a force for good (defined as sustainable development) and under what conditions?

Amended Peter Parker Principle

“With greater Powers, come greater responsibilities.”

Adding soft powers to the equation

Spiderman’s power looks almost absolute, but in practice, he is regularly challenged by contenders with different power bases. Spiderman faces a ‘span of control’ challenge. In

Spiderman terms: how big is the 'web' he actually can weave? The movies show that Spiderman's relative power still wins him battles with ominous enemies. Nevertheless, the relative size of power becomes vital for the kind of the responsibilities that have to be taken. Chapter 5 discussed this as a problem of 'conditional morality'. Spiderman wins battles on the basis of 'hard power' exertion, but has major problem in dealing with managing soft powers – in particular related to (love) relationships with family and friends. An amended 'Peter Parker Principle' would not only look at relative power ['great' versus 'greater'], but also at the distinction between 'hard' and 'soft' powers ['power' versus 'powers'].

Fully amended Peter Parker Principle:

"With greater shared powers, greater shared responsibilities can be accomplished"

What about smart powers?

Spiderman's struggle with his powers and responsibilities is particularly nasty (leading to sizable identity struggles) because he chooses to do it all alone. What would have happened if Spiderman had tried to stop acting on his own? What, for instance, would be the outcome if Spiderman had engaged the local police force and other authorities in a strategic stakeholder dialogue in order to prevent crime from appearing in the first place. Maybe an effort in empowering local citizens would have been more effective, since it would create novel solutions to many of the problems Spidermans thinks he has to solve alone. Sharing powers – through collective action – opens up a whole up a whole new level of responsibilities and possibilities.