

USC Marshall

School of Business

Center for Management Communication

The Deepwater Horizon Oil Spill

A Case Study about the Development of an Evolving Communication Strategy

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Background Information

The Deepwater Horizon Oil Spill began leaking thousands of gallons of oil per day at approximately 9:56 p.m. on April 20, 2010. Also known as the BP Oil Spill or Gulf of Mexico Oil Spill, it is considered to be one of the largest accidental marine oil spills in the petroleum industry's 150-year history.¹

The Deepwater Horizon was a 9-year-old drilling rig that could operate in waters up to 10,000 feet deep (approximately two miles). While drilling a 35,050-foot-deep exploratory well in 5,100 feet of water, methane gas expanded into the drilling rig and ignited, causing a massive fireball and destroying the oil pipeline to the rig. The explosion and resulting oil leak caused an estimated spill of over 4.9 million barrels of oil over the course of several months.

At the time of the explosion, 126 crew members were on board, yet despite a three-day Coast Guard search, 11 members were never found and are believed to have died during the tragic disaster. Of the 126 on board, 94 were rescued by lifeboats or helicopters, 17 were treated for related injuries, and 4 were able to save themselves.¹

The massive spill caused widespread environmental damage, rendering thousands of miles of coast land uninhabitable for hundreds of native species. The greatest environmental aftermath resulted in the death of tens of thousands of crucial marine animals over an area known to host over 8,300 unique species. This includes various fish, birds, mollusks, crustaceans, sea turtles, and marine mammals, many of which are native to this region and most of which are still struggling with the oil-contaminated water in the Gulf. In June of 2013, three years after the spill, residual effects are still apparent. Tar was discovered on the Mississippi coast as well as oil-caused erosion on Barataria Bay.²

The spill also posed health risks for the local residents, with approximately 143 spill-exposure cases reported in Louisiana alone. Of the 143 cases, 108 were of workers who were helping with the major clean-up efforts. Louisiana residents reported an additional 35 cases from merely being exposed to the spill.¹

As a result of the widespread effects of the growing oil slick, numerous stakeholders were involved. Firstly, shareholders of BP Oil were thoroughly disappointed that they had invested in a company that had caused so much damage to thousands of people and resulted in massive financial losses. Additionally, it was understood that BP would need to spend a large sum of money in order to fix the disaster, and consequently, shareholders would not receive the benefits of a high-profitting firm as they had expected.

As the oil slick continued to grow, individuals and companies that relied on the Gulf for their business products were detrimentally affected as well. For example, many of the fishermen in the surrounding area were at a major loss and faced the challenge of acquiring their products from alternative resources. Other stakeholders affected by the spill included customers, suppliers, the BP Board of Directors, BP employees, environmental activists, and tourism companies.

Initial Communication Strategy

Shortly after the disaster had occurred, BP's communication strategy honed in on two specific aspects of the event. First, the firm described how it would correct the problem. Second, it described how it would compensate the victims who suffered.³

Many were shocked at BP's lackluster communication methods and felt that the company could have used a number of other more effective strategies, most of which would have been expected under the circumstances BP faced. Specifically, many individuals were shocked that BP did not take ownership and responsibility for their actions and, instead, worked to distribute the blame across suppliers, the government, and even local gulf coast residents.

BP issued dozens of press releases in April and early May of 2010. Each release described the specific efforts BP was executing in order to ensure its employees and clean-up workers were safe, and indicated their future plans to clean up the Gulf. However, there was no mention of accepting fault for the operation of their machinery or the lack of an effective fail-safe.

BP's Leadership and Response

Following the devastating events that occurred on April 20, 2010 and the extensive and destructive repercussions, an interim period ensued that was marked by the aftermath of the initial oil spill and the period before BP began implementing a new communication strategy. The primary events that define this transition period include:

1. Tony Hayward's (BP's CEO at the time) testimony before Congress;
2. BP's change in leadership, primarily with its CEO;
3. BP's clean-up efforts; and,
4. The public relations campaign that was launched to publicize this clean-up effort.

On June 17, 2010, Tony Hayward, testified in front of a House subcommittee. Congress was primarily interested in questioning Hayward about the oil well's design and the preventative measures that BP had taken or failed to have taken in the days leading up to the explosion.⁴ Members of Congress believed Hayward appeared unprepared to answer that type of questions they felt the CEO of BP should have been able to. The negative remarks that ensued following Hayward's court appearance further contributed to BP's diminishing reputation.

One representative "wanted to know how much it would have cost to circulate heavier drilling mud through the pipes, which may have prevented the explosion," and another asked Hayward "how much it would have cost BP to perform additional tests on the cement in the wall." In response to both of these questions, Hayward simply replied, "I cannot say."⁴

According to congressional documents and interviews with individuals who were working on the rig at the time of the explosion, it appears that BP opted for “faster, cheaper techniques for drilling this well, sometimes against the advice of their sub-contractors.”⁴

Following his court appearance, Hayward resigned as CEO on July 27, 2010. Hayward said he resigned “for the good of the company,” and although he admitted to making mistakes in the way he personally handled the crisis, he stated that he “would not have changed the company’s fundamental actions since the Deepwater Horizon rig exploded and sank on April 20 killing 11 men.”⁴ Taking Hayward’s place as CEO effective October 1, 2010 was former New Yorker Bob Dudley, the American in charge of BP’s gulf oil spill unit.⁵

Cleaning up the enormous oil spill in the Gulf of Mexico has not proven to be an easy task, and in May 2010 *Reuters* reported that it would likely cost BP approximately \$4.6 billion to clean up and contain the mess caused by the millions of gallons of oil that were spilled into the Gulf, “threatening fish and shrimp breeding grounds and vulnerable wetlands teeming with wildlife.”⁶ Accordingly, BP claims it had spent \$6 million per day on effort to salvage the various regions affected by the oil spill.⁷

In addition to the costs needed to execute their clean-up efforts, BP also reportedly spent \$5 million per week on national corporate advertising between April 2010 and July 2010, totaling \$93 million.⁸ These advertisements were meant to target national and local audiences via newspapers and magazines as well as national and local television stations.

Despite the purpose behind these advertisements, which BP says was to “inform the public about clean-up efforts, and more importantly, the claims process that allows oil-spill victims to receive compensation for lost wages or property damage,” many BP stakeholders felt that the millions of dollars spent on a public relations ploy would have been more effectively spent on BP’s clean-up efforts.⁹

Current Communication Strategy

April 20, 2013 marked the three year anniversary of the Deepwater Horizon disaster, and the environmental and economic impacts still remain an ever-present part of gulf coast life. Despite significant improvements in BP’s public relations strategy, the gulf coast is still reeling from the devastation wrought by the now-infamous BP oil spill.

BP is learning from their past mistakes, and unlike BP’s initial strategy of blaming others for matters directly related to them, BP’s current strategy under new CEO Bob Dudley focuses on the direct relationship between BP’s handling of the Deepwater Horizon spill and the millions of stakeholders it has impacted. Due to the ongoing fallout of the worst oil drilling disaster in United States history, BP’s current public relations initiatives are now working to reverse the socioeconomic effects of the oil spill by bankrolling pro-tourism advertisements to support those adversely affected by the spill.¹⁰

Because of the significant impact the oil spill has had on everything from fishing to tourism for the gulf coast states, millions of dollars in auxiliary damages were thrust upon residents in

addition to the unprecedented clean-up costs incurred by BP itself. As a result of BP's congressional hearings, the company is now facing the cost of these auxiliary expenses through an appeals process in which they are required to repay business owners for lost revenue as a result of the spill. As of fall 2013, these payouts have not yet been distributed, but they will create a significant financial strain on BP in the near future.

Rather than protest the sanctions and blame local business owners, as they would have under the public relations strategy in 2010, BP is now seizing the opportunity to earn goodwill and mitigate their negative impact by promoting local tourism. Where BP initially spent money on advertising their clean-up efforts, they are now spending that money to promote tourism in the affected states. While BP cannot put fish back in the sea for the fishermen, they can help to bring more tourism back to the gulf coast states to assist local businesses.

In addition to releasing a national advertising campaign to promote gulf coast tourism, BP has made a significant effort to reduce their negative national media presence. By no longer releasing apologetic commercials and insincere statements, BP has been able to effectively minimize the amount of negative press surrounding the spill. Although the spill clean-up is finally slowing, it seems that BP is only now beginning to realize that the most effective means of communicating with the public is through sincere acknowledgement.¹¹

Furthermore, BP is now putting its efforts toward doing actual work with the victims of the spill. As a result, BP's stock is back to pre-spill levels and currently trading at the same price it was a few months before the spill.¹² Although BP is now posting financial gains and just recently raised its dividend by 5.6% to increase growth, the huge multinational corporation still proclaims a duty to clean up the Gulf and continues to provide aide to the damaged businesses of the region.¹³

Time has not completely solved BP's issues because tar balls are still washing up on shore in dozens of gulf coast towns and beaches.¹⁴ And, as the cost of the spill continues to rise only time will tell if BP's new communication strategy will continue to be effective or if it will be viewed simply as a public relations ploy. BP is still faced with a tremendous clean-up and restoration effort both in the environment and the economy of the five gulf coast states. If it has any hope to return to the healthy, profitable company that it once was, it must fulfill its environmental, social and business responsibilities and communicate their efforts candidly to the public.

Discussion Questions

What are the most pertinent questions that should be asked in order to address the critical issues, main decisions and possible solutions to this case?