# Environmentally Friendly Business Strategies: BP – A Case of Rhetoric or Reality?

Cecily Raiborn
*Texas State University-San Marcos*

Dinah Payne
*University of New Orleans*

Brenda Joyner
*Loyola University New Orleans*

*This paper briefly reviews the anthropocentric and the ecocentric strategies in an effort to determine the best business strategy that encompasses both people and the environment. Also examined is the literature on whether 'going green pays' and a legal compliance strategy is compared with a strategic approach that recognizes, implements, and fosters integrity in business decisions as they relate to all stakeholders, including various environmental elements. A comparison is made between the actions of BP to assess how 'green' the company actually is. The paper promotes a quadruple bottom line of people, planet, profits, and principles rather than the triple bottom line that ignores the underlying ethical basis for actions. Finally, a warning is provided about the need to link rhetoric to reality in assessing firms' environmental performance.*

In the last decade, more and more profit-oriented businesses have begun to engage in and espouse environmentally-friendly strategies, policies, and activities. What is not clear is whether these businesses are doing so because legal/regulatory policies mandate such actions, because organizational stakeholders have emphasized the need for such actions, or because the businesses believe that such programs are cost-beneficial and, in the long-run, profitable. If the latter belief exists, then there is a secondary issue: are the businesses simply seeking to maximize profits with no true regard for corporate social responsibility (CSR) or with an underlying concession to the edicts of CSR and an embracing of the idea that 'going green pays'?

## Green Initiatives as Corporate Strategy

Business managers in the not-too-distant past often saw environmental issues as "a compliance challenge" or "a marketing and PR concern," but companies are now more apt to link such issues with strategy and profitability because of "increasing regulation, investor activism, and changing consumer behavior" (Dittmar, 2010). Concern for the environment has been building for decades (Vandermerwe & Oliff, 1990; Porter, 1991; Clemens & Papadakis, 2008; Kautish & Soni, 2012; Research & Markets, 2012). According to the International Finance Corporation and Global Reporting Initiative, "There is a clear link between good ESG [environmental, social, and governance] performance and the ability of enterprises to be profitable and survive turbulent times" (IFC & GRI, 2010). However, considerable debate exists about whether the adoption of environmentally-friendly mission statements and strategies is cost-beneficial for firms. The overarching question is whether stockholders believe that the statements and strategies provide a reasonable rate of return on investment or if such expenses are too expensive in the short run.

Two-thirds of the 3,000 respondents to a 2011 survey indicated that sustainability was a competitive necessity in today's market; 70% stated that sustainability had been made a permanent part of their management agendas (Haanaes et al., 2012). A commonly touted outcome of environmental and corporate social responsibility (CSR) strategies is a positive competitive advantage created by promoting beneficent attitudes from consumers towards the "green" firm and providing cost savings for the firm and benefits to the environment. Cost savings are engendered by such things as cleaner production, material conservation, energy efficiency, pollution reduction, minimization of waste, and by-product utilization (Kjaerheim, 2005; Geiser, 2001; Dincer, 1999; Hart, 1995; Baas, 1995; Lee et al., 1992). Other studies found that succeeding generations will change their consumption habits to be more in line with environmental health, while firms will also become more environmentally conscious, as minimization of waste and more efficient operations are more profitable. Similarly, López-Gamero et al. (2008, p. 210) found that positive environmental performance could "lead to more efficient processes, improvements in productivity, lower compliance costs, and new market opportunities."

Baugh (2010) advocated green strategy implementation for its human resource and physical space benefits. Olson (2008) pointed to a "common culture of awareness and action," that enhanced decision making and operational activities, and new channels for strategic differentiation in products and services as outcomes of a green strategy. Supply chain management may also be improved with a green organizational strategy. Although taking only a manufacturing perspective, Lee and Chen (2010) presented a compelling rationale for involving the entire supply chain in an entity's green strategy planning:

> Green manufacturers entail a higher level of requirements for manpower, materials, financial strength, and technologies throughout the entire process, including green design, green process planning, green materials, green marketing, etc. In this connection, [the] supply chain … has to adhere to

> the fundamental belief of the green manufacturing. If the supply chain lacks due attention to the environment…, the business activities will be unable to create any benefit to the environment thereby [reducing] the enterprises' economic benefits and … [weakening] the enterprises' competitive edge and their strategic administration capabilities in the long-run (Lee & Chen, 2010, p. 144).

Data analyses by Margolis, Elfenbein, and Walsh (2007) and Orlitzky, Schmidt, and Rynes (2003) suggested a positive, but small, relationship between environmental performance and financial benefits. Thus, financial performance is increased not at the expense of the environment, but as a result of respectful use of resources (Clarke et al., 1994; Hart & Ahuja, 1996; Shrivastava, 1995b; Miralu, 1999; Menguc, Auh, & Ozanne, 2010; Lo, Yeung, & Cheng, 2012). Meisner (2001) and Stead et al. (1990, 1998) found that embracing a strategy designed to use and respect the environment as a source of inputs in a symbiotic relationship created a competitive advantage for the firm. These thoughts led to the conclusion that firms are voluntarily seeking to develop and implement corporate mission statements and strategies that have the respectful use of the environment and its elements as a premise.

Other research, however, takes issue with the above findings. Clemens and Papadakis (2008, p. 488) found that firms only engage in strategic planning that includes a more cognizant and ethical approach to the environment because they are legally obligated to do so, or "…[f]irms that did the right thing were doing so in the face of high levels of regulatory intensity." Further, Friedman (1970) and Walley and Whitehead (1994) found that firms sought to avoid environmentally-oriented strategies because they had a negative effect on profits. Karagozoglu and Lindell (2000, p. 820) found that "comprehensive superiority in relative environmental performance" would not "necessarily lead to environmental competitive advantage." Additionally, adopting only a few environmental policies—especially if only for a short period of time—would not create competitive advantage, especially when characteristics such as uncertainly, complexity, and munificence of the business environment were considered (Aragón-Correa & Sharma, 2003).

Meric, Watson, and Meric (2012) studied the effects of a company's "green score," a measure combining the company's Environmental Impact Score (EIS), Green Policies Score (GPS) and Reputation Survey Score (RSS), on its stock price to find that there appeared to be no market incentive for companies to go green. They reviewed Newsweek's Green Rankings of the 500 Largest Companies and found the highest and lowest Green Scores, providing a sense of which companies were engaging in some fashion with green strategies. For example, Dell, Hewlett-Packard and IBM ranked as the highest scorers on the green spectrum, while Ameren, Bunge and Peabody Energy scored the lowest. Exhibit 1 provides Newsweek's 2010 listing of Global Oil and Gas Companies with their green scores, environmental impact scores, green policies development and reputation; this exhibit provided a snap-shot assessment of these companies' environmental efforts and associated perceptions. As can be seen, at that time, BP was the 92nd largest global company in size; it compared favorably to only four companies, while lagging behind nine other oil and gas companies such as Chevron and Royal Dutch Shell in terms of Green Score and Reputation. After the spill, however, the 2011 and 2012 Newsweek rankings of BP fell to 376 and 371, respectively.

**Exhibit 1:** *2010 Green Rankings: A Snapshot of the Oil and Gas Industry*

| Rank | | Green Score | Envir. Impact | Green Policies | Reputation |
|---|---|---|---|---|---|
| 62 | Total | 64.74 | 21.99 | 59.81 | 62.57 |
| 70 | Exxon Mobil | 54.27 | 16.94 | 51.37 | 41.46 |
| 73 | ConocoPhillips | 52.96 | 17.93 | 48.96 | 42.55 |
| 75 | Lukoil | 51.73 | 25.95 | 46.76 | 19.90 |
| 80 | Eni | 49.81 | 12.98 | 46.80 | 50.57 |
| 84 | Petroleo Brasileiro | 47.54 | 11.00 | 38.67 | 80.38 |
| 86 | Chevron | 45.80 | 19.91 | 33.48 | 52.76 |
| 88 | Royal Dutch Shell | 44.43 | 22.98 | 25.93 | 70.74 |
| **92** | **BP** | **41.13** | **21.00** | **29.91** | **33.60** |
| 94 | Rosneft Oil | 34.30 | 14.96 | 28.53 | 21.17 |
| 95 | PetroChina | 25.90 | 9.91 | 26.20 | 1.00 |
| 96 | Gazprom | 23.36 | 11.99 | 15.94 | 9.09 |
| 98 | China Petroleum & Chemical | 22.35 | 31.99 | 1.00 | 5.84 |

| Rank (2011) | | Green Score | Envir. Impact | Envt'l Mgmt | Disclosure |
|---|---|---|---|---|---|
| 376 | BP | 50.5 | 47.9 | 43.7 | 92.3 |
| **Rank (2012)** | | | | | |
| 371 | BP | 52.6 | 50.2 | 45.5 | 94.9 |

BP's ranking below Chevron is notable. In a study of Chevron and the idea that there are indeed green oil companies, Cherry and Sneirson (2012, p. 153) concluded that, very often, CSR statements and promises were "overblown blandishments, the afterthought of a clever marketing department, or part of a public-relations effort to control damage through greenwashing." The authors asserted that Chevron's response to the BP spill of agreeing that the environment "matters" was superficial at best and revealed that consumer and investor pressure alone were not sufficient to mandate environmental advocacy. One study investigated 13 companies in order to better understand their motives for "going green." Although a number of these companies suggested that they felt environmental concern was "the right thing to do" and that responsible companies would "do their best to be *seen* to be reducing their impacts," the real reasons were less altruistic (Saha & Darnton, 2005, p. 130). The research indicated that companies pursued "greening" because of *inter alia,* pressure exerted by nongovernmental organizations and government regulations, as well as increased business opportunities from the enhanced reputation such environmental actions may bring.

Given the uncertainty of the relationship among environmental strategy, profitability, and competitive advantage, an organization's management may be conflicted about whether to pursue an environmentally-friendly business strategy. However, the increase in significance of environmental actions can be seen as a type of institutional isomorphism (coercive, mimetic, or normative) or a tendency of organizations to establish some level of structural homogeneity because of their interactions and interorganizational influences (DiMaggio & Powell, 1983, 1991). Therefore, businesses develop and implement environmentally-friendly policies because of pressures from regulatory edicts or adverse public opinion about organizational practices (coercive isomorphism), because other companies have successfully (meaning more positive image and/or greater profitability) adopted such policies (mimetic isomorphism), or because organizational management's thought processes and decision making skills have been infused (through education, peer interaction, or research) with positive ideas or constructive models about the benefits of such policies (normative isomorphism). According to the first annual Business of Sustainability Global Survey undertaken by MIT Sloan Management Review and the Boston Consulting Group (Berns et al., 2009, p. 21), over 90% of survey respondents said their companies were addressing sustainability issues, but most indicated that the actions being taken "appear to be limited to those necessary to meet regulatory requirements." Almost 70% stated their companies had "not developed a clear business case for sustainability." However, regardless of the underlying reason, environmental activities are becoming an increasingly important element of organizational strategy and will continue to be so in the future (Crowe & Brennan, 2007, p. 268, Gonzalez, Perera, & Correa, 2003; Klassen & Whybark, 1999; Newman & Hanna, 1996).

## Environmental Strategy as a Corporate Value

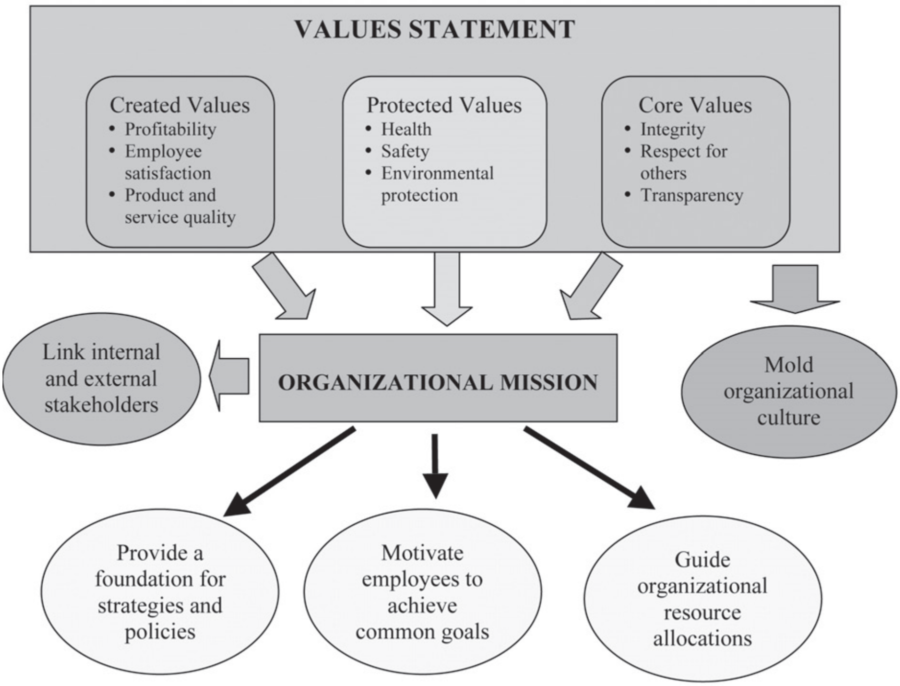
Corporate strategy development, regardless of the issue involved, should reflect an underlying consideration of ethical behavior. According to Velasquez (1999, p. 7), ethics is the "study of morality," indicating that the words *ethics* and *morals* can be used as synonyms. Making ethical or moral judgments implies that the decision-maker is concerned with the decision's moral rightness or wrongness rather than its legality. Another viewpoint, expressed by Carroll (1991) and Freeman and Gilbert (1988), defined ethics as an understanding of, and the ability to choose between, what is right and fair, good or bad, acceptable or unacceptable conduct or behavior.

An organization seeks, in part, to express its ethical position through its values statement, which organizes priorities and indicates its culture and moral focus. Values can be viewed as socially or personally desirable elements (Joyner & Payne, 2002; Joyner, Payne, & Raiborn, 2002) or as the core set of beliefs and principles deemed to be desirable (by groups) of individuals (Andrews, 1987; Mason, 1992). Values are classified by Wenstop and Mermyl (2006) into three categories:

1. Created values—those that stakeholders have agreed are the underlying reasons for the organization's existence; the priorities of such values are subject to trade-offs produced by decision makers or bargaining processes.
2. Protected values—those (such as safety, health, and protection of the environment) that should not be able to be infringed upon; attempts to subjugate these values to others are considered unethical.
3. Core values—those that prescribe the organization's behavior, culture, and attitude.

A firm's values should influence its purpose and scope of operations, which should be delineated in the mission statement to provide a foundation for strategy and policy formulation and implementation. Organizational mission statements can also be used to motivate employees to achieve common goals and guide resource allocation. These functions have long been identified by management professionals and theorists (Hofer & Schendel, 1978; Ireland & Hitt, 1992; Thompson & Strickland, 1992; Raiborn & Joyner, 2004). The mission statement should also be a source of cohesion between the firm and its internal stakeholders. Linkages among the mission statement, values statement, and organizational activities are shown in Figure 1.

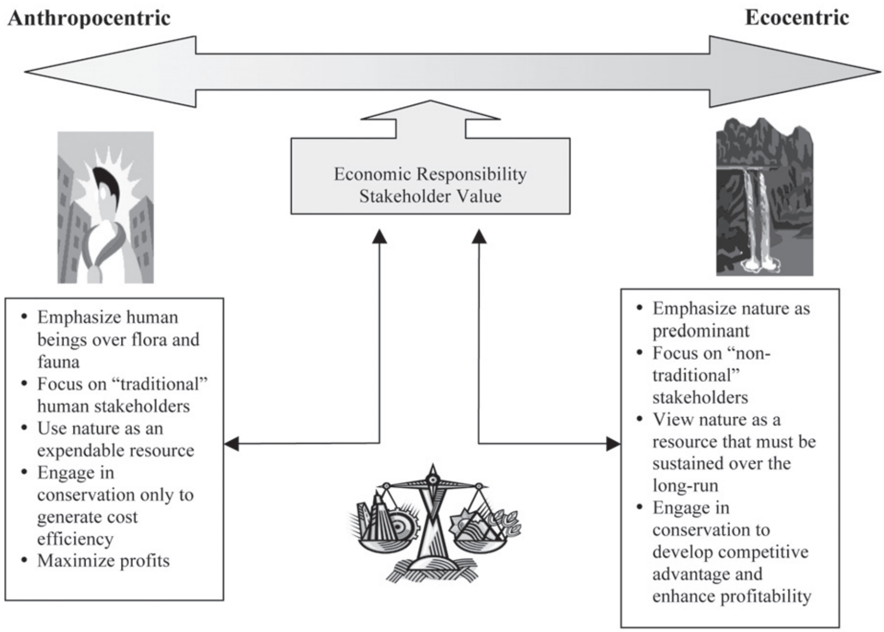
**Figure 1:** *Linkage among Values Statement, Mission Statement, and Organizational Activities*




Although environmental preservation is considered a protected value, the strategic emphasis placed by organizational management to not degrade the environment varies widely along a continuum. As shown in Figure 2, the continuum ranges from an anthropocentric strategy to an ecocentric strategy. The anthropocentric strategy is the more historical approach that emphasizes the 'traditional' stakeholders: employees, management, creditors, consumers, suppliers, and so forth. This strategy takes the position that man is predominant over nature and that nature is essentially "an expendable resource for furthering the interests of humans [who] have a right to exploit nature without any real concern for maintaining its integrity" (Shrivastava, 1995a). Under this strategy, environmental efforts should not progress beyond eco-efficiency (Walley & Whitehead, 1994). This strategy reflects to some degree, Friedman's idea

(1970) that the sole responsibility of business is to maximize profit, regardless of social costs such as those associated with poor environmental practice.

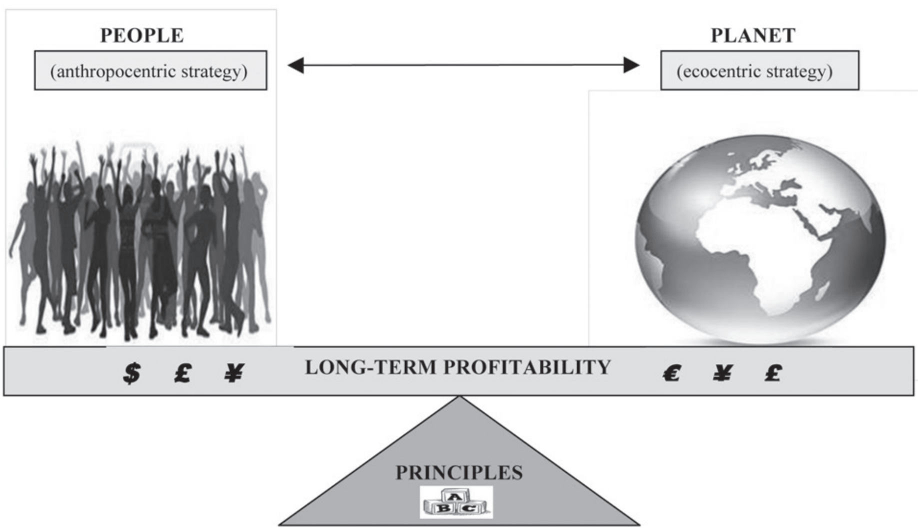
**Figure 2:** *Environmental Strategy Continuum*




The second, ecocentric strategy is more all-encompassing and includes some stakeholders that are not directly associated with the firm, but still feel the effects of corporate policy. This model envisions nature as the predominate element of the environment, which has mankind being just one of many inhabitants (Whiteman & Cooper, 2000). Thus, when an ecocentric strategy is embraced, one of the primary societal relationships that must be considered is that between the organization and the natural environment in which it operates. Newton (2002) described this model as requiring a radical restructuring of industrialism. From the most basic standpoint, the decision of whether businesses should consider the essential nature of the environment is seen by some as indisputable. "The question on moral standing of nature has been raised. … All things, living or non-living, naturally deserve our moral consideration for various purposes in an overall reflection on nature and existence" (Cheng, 2005, p. 346). Additionally, supporters of the ecocentric model believe that concern for the environment "makes sound economic sense since a company's better environmental record gains consumer endorsements and thus long-term profits, while attracting better employees and achieving benchmark environmental standards" (Gopalkrishnan, 1999). However, regardless of the validity or venerability in the idea of the environment as a protected value, most organizations' management teams do not have the inclination, motivation, or financial capital to fully embrace an ecocentric environmental strategy. This conclusion illustrates the premise that “protected values exist in judgment, but cannot fully exist in action” (Baron & Spranca, 1997).

As with all continuums, usually neither end represents the best strategic position. Reviewing the components of values classifications indicates that what is currently known as the “triple bottom line” of profits and people (created values) and planet (protected value) ignores the entire classification of core values. Therefore, the bottom line focus should, in fact, be a quadruple one: profits, people, planet, and principles (integrity, respect for others, and transparency). Without principles, an organization will have no solid foundation for decision making because pressure from one group or another will likely result in discriminatory capitulation rather than discerning compromise. Colbert and Kurucz (2007) found that a sound majority of Fortune 500 companies have committed to fully capitalize their corporate value through adherence to the United Nations’ three pillars of sustainability (economic, environmental and social). Eighty-five percent of executives and investors surveyed believed that corporate social responsibility initiatives were significant in investment decisions in 2005, while in 2000, only 44% believed that CSR mattered in investment decisions (The Economist Intelligence Unit, 2005). “Competitive and successful firms have begun to value their environmental performance” (Meric et al., 2012, p. 16). In the long-term, the use of corporate social values such as integrity and transparency can be a boon not only to the firm’s bottom line, but to the environment and, thus, to society as a whole as well. Principles provide the fulcrum on which the often competing concerns of people (total anthropocentric strategy) and planet (total ecocentric strategy) are balanced to produce a long-term, profitable equilibrium (see Figure 3).

**Figure 3:** *Quadruple Bottom Line*




Trying to develop a mission statement, values statement, and organizational strategy that would balance people and planet on a foundation of underlying principles so as to result in long-term profitability is difficult. Doing so requires the use of Paine's (1994) integrity rather than legal compliance strategy. These two strategies reflect "the classic distinction between the spirit of the law (morality) and the letter of the law (legality)" (Raiborn & Payne, 1990).

Often, if a firm's actions are only shown to be in compliance with the letter of the law, public outrage may ensue over perceived illegal or immoral acts, trust may be lost, and public image may be tarnished. Additionally, pursuit of a strict legal compliance strategy would be at odds with a U.S. Department of Justice (1991) report on six items to review in determining when and how to prosecute environmental violations: voluntary disclosure, cooperation, preventative measures and compliance programs, pervasiveness of non-compliance, internal disciplinary action, and subsequent compliance efforts. In contrast, integrity strategy attempts to equalize economic profitability (or profit enhancement) and environmental commitment, and thus support the business case for engaging in 'green' activities. Having an integrity strategy in place would likely engender a more positive perspective and a greater possibility for leniency in the event of legal actions for violations than would a mere legal compliance strategy. A comparison of appropriate actions and underlying rationales of these strategies is shown in Table 1.

**Table 1:** *Comparison of Legal Companies and Integrity Strategies*

| *Strategy* | *Strategic Actions* | *Underlying Rationale* |
|---|---|---|
| Legal Compliance | Follow the letter of the law | Preclude negative legal action and penalties |
| | | Exhibit commitment to laws |
| | | |
| Integrity | Communicate values and commitments relative to the spirit of the law | Preclude organizational ethical lapses |
| | Avoid compulsion to exploit legal loopholes | Avoid infringement on human and non-human rights |
| | Emphasize core values of exemplary and responsible conduct | Address the root causes of organizational misconduct |
| | Engender personally committed management | Instill a sense of shared accountability within employees |
| | Integrate values into strategic decision-making | Use errors and failures as a continuous improvement tool |
| | Design structure (including internal controls) to support and reinforce ethical principles | Establish a basis for seeking legal leniency under sentencing guidelines if wrongdoing occurs |
| | Train managers to use values and commitments in all activities | |
| | Emphasize a concept of self- governance rather than mere legal adherence | |
| | Have employees accept responsibility and be held accountable for their actions and decisions | |
| | Acknowledge any ethical problems, promptly correct any problems, investigate problem causes, and integrate insights gained into future actions and decision-making | |

## BP and Green Strategy

People often assess an organization's green efforts using media or self-reported public information. However, the use of such information alone may lead to incorrect or incomplete conclusions. A gap often exists between the rhetoric espoused by companies and the reality of their actions, with companies "accused of paying green lip service" to some of their activities (Walker & Jones, 2012). Fifty-nine percent of the respondents to the 2009 State of Corporate Citizenship survey indicated that many companies promoted corporate citizenship (which includes protecting the environment), but "are not truly committed to it" (BCCCC, 2009, p. 16).

BP is used as a corporate example of the gap that can exist between words and actions of green organizational strategic performance. In 2007, BP was named the world's most accountable company by AccountAbility, a London think-tank. AccountAbility uses publicly reported company information and data on actual and environmental performance to measure "the extent to which companies have built responsible practices into the way they do business and looks at how well they account for the impact of their actions on their stakeholders" (AccountAbility, 2010). In 2008, BP's standing fell to ninth place which was still fairly impressive. In April 2009, Greenopia rated BP as the Greenest Oil Company for its investments in alternative fuel research and "the transparency, breadth and accuracy of its environmental reports" (Meade, 2009). That rating was revised after the Deepwater Horizon oil spill, but merely moved BP from first place to third (Butler, 2010; Greenopia, 2010).

Given these publicly-reported accolades, it would seem that BP as a company, in concert with management personnel, would be highly in concurrence with both ecocentric and integrity strategies. Thus, the authors reviewed various BP documents and external news sources to assess the level of congruence between the company's actions and its words: does BP walk the environmental walk or merely talk the environmental talk?

In 2010, BP's mission and values statements were combined under "What We Stand For." In 2012, the company separated the information into "What We Stand For" and "What We Value" (see Table 2). In 2010, the statement clearly indicated that BP wanted to be engaged in the energy business in a manner that didn't damage the environment. This concept was further emphasized in the "Responsible" section, which addressed a commitment to community and societal safety, with an "aim for no accidents, no harm to people and no damage to the environment." This type of phrasing indicated an ecocentric, rather than anthropocentric, bend. But it is difficult to reconcile the 'green' accolades and the 2010 values statement with the following selected incidents in which BP has been involved, incidents that resulted in multimillion dollar fines, penalties, or settlements:

2005 – In March, an explosion at a BP refinery in Texas City, Texas, killed 15 people and injured 170; the $87 million fine was for failure to correct safety hazards was proposed in October 2009 (Kahn, 2010; US DOL, 2009). A BP spokesman stated that the explosion was "a preventable accident" and a report on the incident indicated that there were eight incidents between 1994 and 2005 which "signaled grave problems" (Byron, 2006).

2006 – In March, over 200,000 gallons of oil spilled from a BP pipeline in Prudhoe Bay, Alaska, resulting in a fine of approximately $20 million. "A U.S. congressional committee said 'a mountain of evidence' showed the company's cost-cutting on maintenance had led to the…spill" (Buncombe, 2007). Much of the substantial documentation was "written by more than 100 company whistleblowers and date [sic] back as far as 1999" (Leopold, 2009).

2006 – In April, BP paid a $2.4 million fine for safety and health violations at its refinery in Ohio (Slocum, 2010).

2007 – In July, BP agreed to settle charges for manipulating the Western Energy Markets during 2001 for the sum of $18 million (US FERC, 2007a).

2007 – In October, BP agreed to settle, for $303 million, charges "for manipulating and attempting to manipulate the price of TET propane in February 2004, for cornering the market for TET propane in February 2004, and for attempting to manipulate the price of TET propane in April 2003" (US CFTC, 2007).

2007 – In October, the Federal Energy Regulatory Commission (FERC) ordered BP to pay a $7 million civil penalty for engaging in anti-competitive practices relative to its natural gas pipelines (US FERC, 2007b).

2010 – In March, the Occupational Safety and Health Administration (OSHA) cited BP with 42 willful violations and 20 serious violations for exposing workers to various hazards; proposed fines total $3 million (US DOL, 2010).These violations were at the same refinery as cited in April 2006.

2010 – In April, BP's Deepwater Horizon oil rig exploded: 11 crew members died and 17 were injured; over 200 million gallons of oil were spilled into the Gulf of Mexico (AP, 2012). As of October 1, 2010, BP promised to establish a $20 billion trust fund to pay individual claims (AP, 2010). BP estimates that the spill will eventually cost $40 billion, including cleanup and penalties; a criminal investigation by the Justice Department may find the company guilty of gross negligence and the possibility of substantial fines/penalties (Chazan, 2011).

2011 – In November, BP agreed to pay the State of Texas $50 million for 72 air pollution violations, some of which related to the 2005 Texas City refinery explosion (Plushnick-Masti, 2011).

2012 – In April, BP presented a federal judge with an approximate $7.8 billion settlement offer related to the claims of 100,000+ people and business related to the Deepwater Horizon spill; however, the settlement does not include a cap (Burdeau & Kunzelman, 2012).

2012 – In July, BP agreed to pay penalties of $13 million for the majority of the remaining safety violations found at its Texas City refinery in 2009. BP is attempting to sell the refinery to help pay for Deepwater Horizon costs (Lefebvre, 2012).

**Table 2:** *Comparison of Legal Companies and Integrity Strategies*

### Part a: BP's 2010 "What We Stand For" Statement

BP is progressive, responsible, innovative and performance driven.

<u>Progressive</u>
We believe in the principle of mutual advantage and build productive relationships with each other, our partners and our customers.
<u>Responsible</u>
**We are committed to the safety and development of our people and the communities and societies in which we operate. We aim for no accidents, no harm to people and no damage to the environment.**
<u>Innovative</u>
We push boundaries today and create tomorrow's breakthroughs through our people and technology.
<u>Performance driven</u>
**We deliver on our promises through** continuous improvement and **safe**, reliable **operations.**

Source: BP, *Our Values,* http://www.bp.com/sectiongenericarticle.do?categoryId=9002630&contentId=7005204 (accessed 10/27/10; no longer posted).

### Part b: BP's 2012 "What We Stand For" and "What We Value" Statements

We care deeply about how we deliver energy to the world… [and] that starts with safety and excellence in our operations. This is fundamental to our success. Our approach is built on respect, being consistent and having the courage to do the right thing. We are committed to making a real difference in providing the energy the world needs today, and in the changing world of tomorrow. We work as one team. We are BP.

<u>Safety</u>
Safety is good business. **Everything we do relies upon the safety of our workforce and the communities around us. We care about the safe management of the environment.** We are committed to safely delivering energy to the world.
<u>Respect</u>
We respect the world in which we operate. **It begins with compliance with laws and regulations. We hold ourselves to the highest ethical standards and behave in ways that earn the trust of others.** We depend on the relationships we have and respect each other and those we work with. We value diversity of people and thought. **We care about the consequences of our decisions**, large and small, **on those around us.**
<u>Excellence</u>
We are in a hazardous business and are committed to excellence through the systematic and disciplined management of our operations. **We follow and uphold the rules and standards we set for our company.** We commit to quality outcomes, have a thirst to learn and to improve. **If something is not right, we correct it.**

Courage
What we do is rarely easy. Achieving the best outcomes often requires the courage to face difficulty, to speak up and stand by what we believe. **We always strive to do the right thing.** We explore new ways of thinking and are unafraid to ask for help. We are honest with ourselves and actively seek feedback from others. We aim for an enduring legacy, despite the short-term priorities of our world.
One Team
Whatever the strength of the individual, we will accomplish more together. We put the team ahead of our personal success and commit to building its capability. We trust each other to deliver on our respective obligations.

Part b of Table 2 shows a shift in the tenor of the company's environmental commitment in 2012. At that time, the company seemed to deliberately minimize its ecocentricity by saying that BP "cares about the safe management of the environment [and] decision consequences," while concomitantly showing a much more distinctive legal strategy focus (under the Respect and Excellence categories) by addressing "compliance with laws and regulations" and company "rules and standards." The legal strategy was tempered to some extent by the statement that company personnel held themselves to the highest ethical standards. As shown in Table 3, the year 2012 also used more 'hedging' or damage control phraseology. An extremely important change seemed to be an emphasis on how difficult it was for BP to engage in its mission of energy provision, whereas such difficulties were never even mentioned in 2010's forthright elucidation of company values of being progressive, responsible, innovative, and performance driven.

**Table 3:** *Important Phraseology Changes in BP's "Stand For" and "Values" Statements*

| 2010 | 2012 |
|---|---|
| "…build productive relationships" | "…depend on the relationships we have" |
| "…committed to the safety and development of our people and the communities and societies in which we operate" | "…committed to safely delivering energy to the world."<br>"…committed to excellence through the systematic and disciplined management of our operations"<br>"…commit to building [the team's] capability"<br>No mention of societies |
| "…committed to the safety … of our people and the communities and societies in which we operate" | "Safety is good business."<br>"…safety of…the communities" |
| "We deliver on our promises…" | "…care about the consequences of our decisions"<br>"We always strive to do the right thing."<br>"We follow and uphold the rules…" |
| "…continuous improvement" | "…have a thirst to learn and to improve"<br>"If something is not right, we correct it." |
| Not a single use of the term "energy" | "…how we deliver energy"; "…providing the energy"; "safely delivering energy" |
| "…no damage to the environment" | "…care about the safe management of the environment" |
| No discussion of legal requirements | "…compliance with laws and regulations" |
| "We push boundaries…" | "We are in a hazardous business" |
| "…create tomorrow's breakthroughs" | "What we do is rarely easy." |

A criminal obstruction of justice case was filed in April 2012 against a BP engineer for violating company requirements to save all electronic communications related to the spills (Fowler, 2012a). In May 2012, the Justice Department began investigating whether BP officials lied to Congress about the quantity of oil that was leaking from the Deepwater Horizon spill; if substantiated, such actions could "lead to additional criminal charges against current and former company employees" (Fowler, 2012b). A report issued by the Chemical Safety Board in July 2012 stated that BP's focus for offshore facilities was on employee work injuries and fatalities, which led to complacency relative to "managing the potential for catastrophic accidents" (CSB, 2012). The circumstances underlying these issues could have been an impetus to the move toward a more legal-oriented strategy.

Even limited reflection on the above incidents—and their related levels of punitive costs—would challenge any presumption of BP's walking the environmental walk, let alone engaging in an ecocentric or integrity strategy. The same conclusion is evident after reviewing the "critical factors" mentioned in BP's own Texas City Refinery explosion investigation report:

1. The working environment [was] characterized by resistance to change, and lacking of trust, motivation, and a sense of purpose. Coupled with unclear expectations around supervisory and management behaviors, this meant that rules were not consistently followed, rigor was lacking and individuals felt disempowered from suggesting or initiating improvements.
2. Process safety, operations performance and systematic risk reduction priorities had not been set and consistently reinforced by management.
3. [There was a] lack of clear accountability and poor communication, which together resulted in confusion in the workforce over roles and responsibilities.
4. [People accepted uncommonly high levels of risk due to a] poor level of hazard awareness and understanding of process safety.
5. [The] poor vertical communication and performance management process [resulted in an inadequate] early warning system … [and no] independent means of understanding the deteriorating standards in the plant (BP, 2005).

Although these factors were enumerated five years prior to the Deepwater Horizon explosion, such systemic problems might only have been correctable with a massive change in corporate suite personnel. However, of the 11 executive personnel listed in the 2004 SEC Form 20-F filing (dated June 24, 2005, and indicating that all the individuals listed were in place in March 2005 when the Texas City explosion occurred), five were still part of the management team shown in the 2009 Form 20-F list dated February 18, 2010: the Executive Director, Executive VP of Human Resources, Chief Executive of Refining and Marketing, Chief Financial Officer, and Chief Executive of Exploration and Production—all critical positions in the determination of overall corporate culture. The company, however, had significant changes in management personnel in late 2010, with two of the biggest changes being the departures of Chief Executive Tony Hayward and second-in-command, Andy Inglis.

Thus, a high level of integrity emanates from the verbiage on the BP website information ("talk the talk"), but when confronted with the multiple instances of environmental and criminal behavior ("walk the walk"), the public statements about integrity seem to be in direct odds with the actual concern for the environment and other social responsibility issues (community, employees, and safety). Table 4 presents some of the contradictions between the words in BP's 2010 code of conduct (no longer posted) and the actions of the corporate entity or management. None of the specific phrases that are underlined in the table are included in the 2012 code of conduct.

**Table 4:** *Contradictions between BP's 2010 Words and Various Actions*

| **Words** | **Actions (*DH* refers to *Deepwater Horizon*)** |
|---|---|
| The underlying philosophy of the code is that there should be no gap between what we say and what we do. (p. 1) | Between April and August 2010, BP spent approximately $5 million per week on advertising or "more than three times what it spent during the same period" in 2009…seems to be more about "polishing the corporate image than helping Gulf Coast states recover…" (Daly, 2010). |
| [It is crucial that we have] an open culture where people feel secure in seeking advice and in raising concerns. (p. 1) | The Texas City incident report stated that BP's working environment was characterized by resistance to change, and lacking of trust, motivation, and a sense of purpose (BP, 2005). |
| [Supervisors] must promote compliance and ethics by example – in other words, show by their behaviour what it means to act with integrity. (p. 6) | The Texas City incident report indicated that "the lack of effective leadership was systemic, touching all levels of BP's corporate management" (Colvin, 2010). |
| [O]ur commitment to integrity means we must never ignore a legal or ethical issue that needs to be addressed. (p. 7) | Ten of eleven containment boom manufacturers that had contracts with BP were "out of money" and many were "deeply in debt, … forced to lay off workers and delay payments to vendors" after BP stopped accepting deliveries in early August. One of BP's "integrity-assessment coordinators" recognizes that some suppliers "have been left in the lurch" (Zimmerman, 2010). |
| BP is committed to providing all BP employees – and those of other companies working on our premises – with a safe and secure work environment where no one is subject to unnecessary risk. (p. 14) | Process safety, operations performance and systematic risk reduction priorities had not been set and consistently reinforced by management; people in the Texas City plant accepted uncommonly high levels of risk due to poor level of hazard awareness and understanding of process safety (BP, 2005).<br>According to a U.S. Coast Guard and Bureau of Ocean Management investigation of the *DH* incident, BP employees said 360 overdue maintenance problems had been found (McIntyre, 2010). |
| Wherever we operate, we will strive to minimize any damage to the environment arising from our activities. (p. 16) | The *DH* well leaked oil continuously for three months… (Repanich, 2010). |
| BP strictly adheres to … laws that promote or protect free and fair competition… . (p. 36) | In October 2007, BP agreed to pay $303 million related to TET propane price manipulation charges and a $7 million penalty for engaging in anti-competitive practices relative to its natural gas pipelines. |
| [The] … communities in which we operate should … benefit from our presence – through the wealth and jobs created… . (p. 46)65 | In October 2010, six months after the DH explosion, "the environment and economy of the entire northern Gulf of Mexico region remain in a state of uncertainty, with overturned livelihoods, out-of-work fisherman, reluctant tourists, widespread emotional anguish and untold damage to the sea and its shores." (AP, 2010) |
| [Employees] must make sure that any information [provided to government or regulatory agencies] is truthful and accurate … . (p. 50) | In 2010, BP was fined $15 million by the EPA related to three incidents in 2004 and 2005 in its Texas City refinery, in part for failing to disclose all the regulated pollutants used at the facility (Plushnick-Masti, 2010). |
| [BP seeks] to engage in open and transparent dialogue and consultation with communities …[that] have a legitimate interest in our operations. (p. 51) | There are questions as to accuracy of the internal DH report, since it "laid most of the blame on [BP's] contractors" (Casselman & Swartz, 2010). |

## Conclusion

Given that sustainability is being perceived as an important part of business activity, it might be prudent for company managements to revisit their strategic approach to corporate interaction with the environment. In the short-term, firms need to assess their environmental risks, reevaluate their mission/vision/values statements to be inclusive of a sustainability focus, and enhance material eco-efficiency, energy efficiency, green management, and green supply chain efforts (Albino et al., 2009). In the long-term, firms should be more proactive in adopting ecocentric and integrity strategies, not simply because it may engender positive reputations that may translate into competitive advantage but also because it is the "right" thing to do. Actor Robert Redford made a good point in a Yosemite National Park dedication in 1985: "I think the environment should be put in the category of our national security. Defense of our resources is just as important as defense abroad. Otherwise what is there to defend?"

BP promoted itself, and was attributed to be a 'green' company. Unfortunately, many of its corporate actions did not uphold the elements of its code of conduct or the values espoused in its code of conduct. Accidents, minimal and severe, will happen. But, when an accident having the enormity of the Deepwater Horizon occurs, the chief executive of a truly 'green' company would never publicly announce: "The Gulf of Mexico is a very big ocean. The amount of volume of oil and dispersant we are putting into it is tiny in relation to the total water volume" (Webb, 2010) or "…everything we can see at this moment suggests that the overall environmental impact will be very, very modest" (Palkot, 2010).

In early 2013, BP pled guilty to manslaughter and a judge approved a $4 billion settlement of criminal charges between BP and the Justice Department related to the Gulf oil spill (Krauss, 2013). That amount raised BP's total costs of fines, settlements, and cleanup to over $30 billion (Fowler, 2013). However, the company still faces a civil suit that a former chief of the Justice Department estimated could "cost BP more than twice as much as the criminal settlement" (AP, 2013).

Time will only tell what the organizational and personnel changes made at BP will engender. Will the company now take an integrity strategy approach that balances people and planet on a basis of ethical principles to produce profitability? Or might the company take a legal strategy approach that stresses the difficulty of its mission choice and the mere "management of the environment" rather than "no damage to the environment"? BP must recognize some decisions, especially ones having environmental implications, are always likely to have significant short-term costs that need to be measured against long-term benefits. BP's new CEO, Bob Dudley, has created a new safety division that reports to him directly. The specialists in this division can "stop any operation at any time" which has been done in Trinidad, Egypt, and Alaska; additionally, BP now uses external rather than internal inspectors for its blowout protectors to remove potential conflicts of interest (Helman, 2012). Hopefully, the materiality of the company's short-term costs related to the Gulf spill (and other environmental penalties) will influence BP management to refocus on a more 'walk the walk, not simply talk the talk' ecocentric policy.

The use of words to gain goodwill from stakeholders is not new. However, when words and actions are at odds, the result is sometimes deception. As individuals affected by the actions of organizations, people need to be aware of the importance of searching below surface rhetoric to get to the behaviors and actions that turn words into reality. It is not enough to read values statements, mission statements, and other discourse in judging the organizations in our world. It behooves everyone to check for the actions that give those statements meaning and truth.

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