

## **Organizational Culture at BP: A Lack of Leadership**

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Researchers have long indicated the linkage between leadership and organizational culture. Giritli et al. (2012) even state the study of leadership has “no additive value unless they take into account organizational culture” (p. 228). This linkage explains the case study of BP and the disaster on Deepwater Horizon. The company’s humble beginnings and state-sponsorship created a company that needed change, and through aggressive action, leadership’s focus on cost savings contributed significantly to their biggest failure. The company’s activities demonstrated a radical approach to operations, shifting away from safety and renewable resources into asset management. Yet, BP may reconsider their leadership approach in efforts to avoid these problems moving forward.

### **Corporate Attitudes and Leadership in Hindsight**

While the company struggled early, including during state-sponsorship, the company went through a phase of aggressive growth in the mid-1990s (Ingersoll et al., 2012). In the early 2000s, BP started their green marketing campaign to become one of the world’s largest, and “focus like a laser on safety issues,” prioritizing this ahead of revenue targets (Ingersoll et al., 2012). This decision also included reducing headcount by 16,700 jobs over three years, culture to be less risk-averse, and delegation of decision-making to asset managers, tying employee compensation to the site’s performance, not the company’s (Ingersoll et al., 2012). The shift in organizational culture had unintended consequences, namely no incentive to share risk management best practices between sites and no central oversight on setting performance targets (Ingersoll et al., 2012). The lack of this oversight is critical “in an industry where risk management and safety were essential” (Ingersoll et al., 2012, p. 4).

The cultural shift at BP spearheaded by leadership resulted in cost savings and gave BP agility to respond to dynamic market conditions, but it also contributed to the safety problems. In hindsight, leadership’s approach in implanting these changes should have been progressive, adapting following the various phases of radical change. Reardon et al. (1998) provides a

framework of the multiple stages and suggests four leaderships that are ideal for each step, but more importantly, advises “[the] key component of successful leadership... is proactive and effective responsiveness to change” (p. 129). BP could not respond to changes that created problems within its culture. For example, in delegating decision-making authority to asset managers, the lack of central oversight on performance targets that ultimately sacrificed safety for revenue became an issue. Following the *Baker Report*, which confirmed this problem, any changes were reactive and focused primarily on locations where problems existed, not on all sites (Ingersoll et al., 2012, p. 6). These actions demonstrate the company’s failure to be both “proactive” and “[responsive] to change” (Reardon et al., 1998, p. 6). As a result, one recommended that no one style would be most beneficial to incorporate multiple leadership styles that reflect the five phases of radical change: plan, enable, launch, catalyze, and maintain (Reardon et al., 1998, p. 134).

Still, the benefit of hindsight makes it easy to make suggestions considering the observations of the disaster. And while no one leadership style could be prescribed, a hybrid approach of logical and inspirational may have benefited leadership BP during the time of the crisis. Reardon et al. (1998) describe the logical style as one that covers all alternatives, relying on questioning and learn by reasoning things through. Through questioning and careful consideration of all options, BP may have uncovered the unintended consequences of delegating decision-making authority to asset managers. More importantly, rationalizing their decision while reminding themselves of the importance of safety, would yield different results.

Additionally, inspirational leadership develops and articulates visions of the future, looks at radically new ideas, and learns by experimentation (Reardon et al., 1998). Experimentation is at the heart of innovation and coupled with careful reasoning, one alternative to corporate culture might be testing radical new ideas, like decision-making authority, to less-risky ventures to prove viability. With one eye on safety, trying new techniques to save money but boost performance on new rigs or sites can inspire others to rally around “small wins.”

## **BP's Change in Energy Sources**

Assuming the company makes no changes and operates similarly today, the organization can benefit from more modifications when changing from fossil fuels to renewable energy. Following Reardon et al.'s (1998) framework, BP will plan, enable, launch, catalyze, then maintain.

### **Planning**

The first stage of radical change involves planning or the need to acquire new information and formulate a strategy. Logical leadership must be considered here for BP to consider all alternatives, unintended and otherwise. Besides the lack of central oversight on performance goals, BP failed to find their options on a more tactical level. These failures include deciding to use Deepwater Horizon for a drilling rig (it was designed to be an exploratory rig only), ignore maintenance issues, or dismiss simulations and best practices by referring them as "estimates" (Ingersoll et al., 2012). A logical leader would have given equal weight to all these options during planning before dismissing them in efforts to save money.

### **Enabling**

At the next phase, enabling, BP explains their plans, empowers them, and assists – all areas the company is familiar with by delegating decision-making authority locations (Ingersoll et al., 2012). Still, a hybrid logical and inspirational leadership style can motivate employees, articulates a vision, but through empowerment, sets a 360-degree feedback loop that can shine a light on problems like safety concerns.

### **Launching**

Again, the logical leadership style when launching the change gives the company direction and progress assessment, allowing for accountability locations (Ingersoll et al., 2012). At this stage, it is also essential to find whether the asset management model is an efficient motivation for employees or if there is a deficient sharing of risk management materials.

### **Catalyzing**

When catalyzing the team, leadership at BP must adapt to an inspirational technique, inspiring and energizing the company to follow through on changes.

### **Maintaining**

Finally, a logical leadership approach can oversee progress, while inspirational leadership can guide and invigorate others to continue delivering hard work locations (Ingersoll et al., 2012).

### **Discussion and Conclusion**

BP made changes to their organization to save costs and become more agile in the market. The unintended consequences of these actions shifted their pledge of safety and green marketing campaigns to repeat disasters that ruined the environment, costs people their lives, and hurt BP financially. Their brand image devalued much, and some argue it still has not recovered. Though the exact causes for the Deepwater Horizon disaster will be a topic of debate for years to come, the inability of leadership to be “proactive” and “[effectively] respond to change” were central themes that plagued the organization and lessons learned for future generations.

## References

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