BP Case Study

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1. Business ethics is the study of standards of business behavior which promote human welfare and the good. BP was more focused on saving costs and taking unnecessary risks, than doing what was actually safe not only for the company, but the environment surrounding them. The three major decisions were the well casing, the number of centralizers used, and the decision not to perform a cement bond log. This incident was not the first time that maintenance and safety issues were cut back at one of BP’s plants. A similar incident happened at BP’s Texas City Refinery. Even after the explosion in 2005 and being known for an environmentally-friendly company and supposedly focusing on safety issues, this disaster still occurred. The main ethical problem in this case has to do with despite the risks they knew their actions could have pertaining to environment and safety, the company still chose to use cost reduction over caution.

The Deepwater Horizon disaster was the largest marine oil spill to occur in U.S. Waters. Of the 126 workers on board, 17 were injured and 11 were killed. The rig burned for 36 hours, combusting 700,000 gallon of oil which left a trail of smoke over 30 miles long. With regards to the environment, the damage was extensive with 25 national wildlife refuges in its path. Oil was found on the shoes of all 5 Gulf States and was the cause of the death of my birds, fish, and reptiles. Losses were not only occurring with death of animals, but impacted the people. People who lived on the coasts and especially people in the tourism and fishing industry were significantly impacted by this spill. In 2010, between the energy, fishing, shrimping, and tourism industries the Gulf region lost an estimated 250,000 jobs. The places that were impacted will be suffering the consequences of the spill for years to come.

The spill not only caused danger to humans, animals, and the economy, but also cost the business millions of dollars. Due to obligations and penalties that came from the disaster, BP was
losing profit. BP’s reputation was now damaged and losing the faith of many of their stakeholders. Their stakeholders consisted of people with interest in the company. The stakeholders probably consisted of employees of Transocean, suppliers, customers, residents, and just people around the world. In regards to the well casing, the number of centralizers used, and the decision not to perform a cement bond log they were all decisions made to make the easy way out. BP and its fairly new key decision makers simply were trying to go the easiest and cheapest way out, which ended in the disaster. Even knowing the positives of one decision over another and after the recommendations of professionals, these individuals still decided to go the easy way out. After learning these decisions that were made by people they should have trusted to have the best effect not only for the company but the environment, you can assume how disappointed they were. Even customers want to deal with a company that is environmentally friendly and ethical, so after this disaster they were sure to lose customers as well. The customers, suppliers, and residents were most likely people who were hurt the most by the Deepwater Disaster of 2010. BP’s carelessness hurt not only their company put everyone around them.

2. Corporate social governance is defined as the degree to which a firm’s actions honor ethical values that respect individuals, communities, and the natural environment. BP was not thinking of their social responsibility while making the decisions for their company. After numerous recommendations, BP knew the risks they were taking while making the decision and what it would do to the individuals, communities, and natural environment around them. They still decided to take these risks despite the extremely harmful damages they could cause.

The Utilitarian theory states that one’s action has to be in interests of the greater good. The only time Utilitarian’s allow exceptions from the law and rules of justice are only when
human lives are undoubtedly at stake. They believe that even if doing the right thing will cost you your job or will destroy your business, that there is no valid excuse for breaking the law. BP’s actions were most definitely not in the interest of the greater good. People, animals, and many different industries were hurt greatly by the oil spill caused by BP. BP’s actions to save money were not in the greatest good because they were trying to save money by taking unnecessary risks, but in the end put an extremely harmful impact on the environment. Other than saving money and time, there were no real benefits involved with the actions they choose. If they were to choose the recommendations they had received, the spill could have been stopped and in the long run of things, the company would have been able to save numerous amounts of money that they are now stuck paying trying to pick up from the disaster. In all, the spill caused more harm than good to society.

A Kantian demands that our actions are such that could function as universal laws. If you told all the oil companies and rigs around the world that they could take the actions that BP did, then I’m sure there would be way more disasters than what has already happened. The BP Deepwater Horizon disaster occurred because the decision makers simply ignored recommendations from people who may have known more about the industry than them and knowing the risks, put the whole environment around them in danger. Although, BP did not mean for the disaster to happen they knew the risks that their actions were having.

A virtue ethicist will also want you to consider what sort of person you would be if you endorsed a certain course of action. In this situation BP took the easy way out of a tough situation. BP ignored the experts they hired by cutting corners and costs. BP did not use careful judgment by disregarding the recommendations they were provided and did not promote a culture of safety especially on the rig. BP ignored these experts and common practices and
simply filled the minimal requirements to get by. The professional obligations that the decision makers at BP were making should not come at the expense of your community. The people who made the decisions at the company were part of a community, part of a family, and just a worker. The people who made these decisions should have thought about the worse that could happen and what everyone would think of them if they knew what decisions they made and what they could have done to prevent it from happening.

A Rawlsian, or justice-inspired, approach is by asking yourself if a course of action is for the benefit of those worst off in society? If BP were to look at it from this ethical theory, they would have realized that making the decisions that they did would not benefit those worst-off in society. For those worst off in society, the only way they may have been able to eat is through catching fish out of the water. With the disaster and the harm to the fish, the homeless may have not even been able to eat. Also, there may have been people who relied on the jobs they had whether it was at BP, in a fishing industry, tourism industry, or any other job industry that was impacted by the disaster and now they are experiencing a loss of the job they had to get by to survive. Even though they couldn’t predict the disaster, they took risks that they knew this could be the consequences that came up.

3. This was also not the first time that a disaster happened. In 2005, when the explosion at BP’s Texas City refinery happened, it was found that BP had cut back on maintenance and safety measures at the plant to curtail costs and the explosion ultimately rested with the senior executives. It is obvious that BP had not learned from its mistakes. An easy approach could have been just focusing on these maintenance and safety problems. You would think that after a company went through one tragedy, that they would do everything in their power to prevent another one from happening. I believe another alternative could have been not letting these new
“decision makers” make the decisions in regards to the rig. The employees who were making these decisions were only in the company from anywhere from 6 months to 4 days. We do not know whether these employees even had sufficient training or if they had expertise in the oil market. There is obviously something that needs to be changed in the organizational culture if safety measures were not taken and resulted in multiple disasters. Simply, if BP were to focus more on their safety measures instead of the cost, the disaster wouldn’t have happened.

There are a number of obvious alternatives that could have been used to avoid the problem. If BP would have just chosen the safer alternatives instead of the cheaper and faster ones, the blowout may not have happened. The first is choosing the liner tie-back option instead of the long string casing option. Even though, the long string option took fewer days to install and saved money off the completion cost, there were recommendations in the BP Forward Plan Review against the long string because of the inherent risks of having few gas barriers. The second alternative would have been having twenty-one centralizers that were recommended, instead the six that BP used. BP was told that if they only had 6 centralizers, that gas flow problems were quite significant. Even after learning the results of the OptiCem indicating a very high risk that the cement job would encounter “channeling”, BP still had questioned the reliability of the results. Also, BP managers chose not to run a test called a “cement bond log” to check the integrity of the cement job after it was pumped into the well, even despite the warnings of potential channeling. There were people hired to perform this test, but about 12 hours before the blowout, BP told them that their services would not be needed. BP had to pay a cancellation fee equal to 7% of the cost of having the cement bond log and mechanical plug services completed. The only way to accurately diagnose a bond failure due to channeling was with the “cement bond long” test. If they had done the test at the time it was planned, the disaster could
have possibly been avoided or have been less disastrous than it was. Another alternative they could’ve done was to do the mud circulation safety step in full. BP decided to do without this safety step and only conducted a partial circulation of the drilling mud before the cement job. The American Petroleum Institute recommends that oil companies fully circulate the drilling mud in the well from the bottom to the top before starting the cementing process. Circulating the mud in this well could have taken only as long as 12 hours and the workers on the rig would have been able to test the mud for gas influxes, safely remove any pockets of gas, and to eliminate debris and condition in the mud to prevent contamination of the cement. One last alternative they could have done was to install the casing hanger lockdown sleeve. Especially after the risky decisions they had made, this sleeve would have prevented the seal from being blown out from below. These alternatives are all ones that would have taken more time or money but could have prevented the disaster from happening.