

barrel to \$160 per barrel. BP had secure supplies of that oil, in the United States and the Arab Emirates, and was able to report record profits starting in 1998. John Browne became known as the man who had transformed BP from an also-ran into a global powerhouse. He was knighted in 1998 by Queen Elizabeth, in 2001 the government awarded him a life peerage with the title Lord Brown of Madingley.

Lord Browne's record of continual success began falling apart in late 2005. The March 25 explosion at Texas City started the decline, and the subsequent accounts of unreported or underreported accidents at other locations accelerated the process.

In December 2005, BP published its final report on the Texas City explosion. Here it accepted wider managerial responsibilities than previously acknowledged. The report explained that there were underlying causes that included a poor working environment at the facility, poor priority-setting among managers, and a lack of clear accountability at all levels. This report concluded with a plan to spend more than \$1 billion over the following five years to replace older equipment and improve maintenance procedures (Wall Street Journal, December 10, 2005, p. A9).

The greatly increased level of spending was quickly said to be needed. There had not been a new oil refinery built in the United States since 1975 due to strict environmental laws that made it less expensive to operate abroad—particularly in smaller nations and less developed regions, where new investments, even in the so-called dirty industries, were warmly welcomed. The old U.S. plants continued to operate, however, partially because the technology of petroleum refining had not changed very much so they were still fairly efficient, but primarily because they were fully depreciated and thus highly profitable. Federal regulators and company officials alike claimed that these older U.S. plants did not pose unusual dangers, as long as effective safety and maintenance programs were in place (Wall Street Journal, July 27, 2005, p. A1).

Additional problems and damaging disclosures kept appearing, however. In March 2006, BP was responsible for the largest oil spill on the North Slope of Alaska since the active development of that area had started. Oil spills were greatly feared in that region as the permafrost made full remediation almost impossible. The cause was quickly determined to be the rupture of the major BP pipeline that served their gathering fields; it was found to have been poorly maintained, to be badly rusted, and to require total replacement (New York Times, July 27, p. C2).

Then, in October 2006 the consulting firm that BP had been required to hire to review all of their worker safety and management communication procedures by the Occupational Health and Safety Administration as one of the conclusions to their earlier study on the causes of the March 25 explosion, issued its first report. It was disclosed that the isomerization tower that had leaked the flammable gases and fluids that caused the deadly explosion on March 25 had leaked those same gases and fluids not once before, as reported by the company, but eight times. On two of those eight occasions, the safety systems had failed and serious fires had occurred, though without on "high-frequency, low-consequence events" such as accidents to individual workers, not on the mechanical integrity of processing equipment that could result in major harms to many persons. The OSHA statement that accompanied the release of this consultant's report charged that BP's continual demands for substantial reductions in fixed costs adversely impacted both infrastructure maintenance and worker training.

It had been found, for example, that the refinery's central training staff had been reduced from 30 in 1998 (the year of the purchase from Amoco) to 8 in 2004 (New York Times, October 31, 2006, p. C3).

Senior BP officials objected to these findings. They claimed that budgetary decisions did not play a crucial role in the March 25 explosion that had resulted in a final toll of 15 killed and 170 injured. But that claim was at least partially overridden by a series of statements from local managers that were recorded during an internal accountability review conducted by BP, and either leaked or distributed to the press. The manager of the Texas City refinery was reported to have claimed that he had been ordered to cut costs by 25 percent in early 2005, just months before the deadly accident. He added that he had pleaded for additional funds, citing problem areas such as the poor condition of the processing equipment, but had been denied. The claim of this manager of the Texas City refinery was supported by a statement of the BP executive in charge of North American operations that he had been directed to keep maintenance expenditures low because of "10 years of lousy refinery margins." Both men's statements, however, were refuted by the BP vice president for global refining, who said that he had never received a request for additional funds for maintenance at Texas City.

Class Assignment

All management debates, whether at the industrial or governmental level, are followed almost immediately by denials of responsibility and allegations of blame. Managers within British Petroleum at almost all levels certainly seemed to follow that pattern. The important issue, however, in the case of the explosion at the BP refinery in Texas City was not who was responsible but how it should have been prevented.

Prevention, in this instance, would have meant logically convincing the senior executives based in London, particularly the vice president for global refining quoted at the end of the case, that increased expenditures for refinery maintenance truly were needed. How does one logically convince senior corporate executives of actions that seem initially to be counter to the financial interests of their company? The recommendation of this book is that managers should start by (1) recognizing that individuals differ in their standards of behavior and (2) understanding that situations differ in their impacts upon people. A decision or action that one person might believe to be fully appropriate might strike another as totally wrong. It is necessary for a thoughtful manager to deal with these conflicts in a logically convincing manner, and that manner is portrayed below:

