Crisis leadership – Lessons from Macondo

"In war, three quarters turns on personal character and relations; the balance of manpower and materials counts only for the remaining quarter." – Napoleon Bonaparte

Overview

We live in an increasingly turbulent world, often described as a "VUCA" world – volatility, uncertainty, complexity and ambiguity. Stakeholders call upon the executive leadership of their organizations to help navigate through and harness the turbulence that surrounds their business to grow value. But what happens when leadership finds itself in a genuine enterprise level crisis, one that has brought a company to the point of potential annihilation? In those moments, the traits coined by Bob Johansen as "VUCA Prime" – vision, understanding, clarity and agility, are put to the test. **Pulling through a corporate crisis does not depend upon technology or process – it depends on people. Period.** The following paper offers some points based upon the author's experiences and observations during the Macondo oil spill. It also offers suggestions how organizations can prepare for crisis, and how that preparation can help develop leaders for a VUCA world, generally.

Value Solution Keys

- Think, plan and practice for the unthinkable before a crisis emerges
- Promote a "One Team!" vision and culture
- Promote merit over hierarchy
- Adapt what you know and apply it to what you don't know
- Promote innovation and be prepared to fail
- Engage your stakeholders throughout the crisis

The Macondo oil spill

On the evening of Tuesday, April 20th, 2010, at 9:45pm, hydrocarbons from BP's Macondo exploration well reached the rig floor of Transocean's Deepwater Horizon and was ignited by the rig's engines causing a massive explosion which took the lives of 11 offshore drilling workers. The blowout preventer failed to seal the wellhead one mile below the ocean surface and hydrocarbons filled the Gulf of Mexico for 89 days until the well was successfully capped.

By any measure, the event was an enterprise level disaster for BP. The company, hemorrhaging cash to pay for the response, was near bankruptcy in June of 2010. It consumed nearly the full time and attention of the entire BP executive team. The CEO, Tony Hayward, resigned. BP took a financial charge of $42 billion to pay for the response, claims and legal expenditure and penalties arising from the spill. BP's reputation suffered as Gulf Coast residents, afraid of the near and long-term effect of the spill on their way of life. BP endured the wrath of both regulators and industry for the exposure of failures in the regulatory process and the ensuing drilling moratoria which delayed developments.

Crisis leadership

"To have a right estimate of a man's character, we must see him in misfortune." – Napoleon Bonaparte

When the spill began to unfold, the character of many were revealed. Some teams rose to the occasion – others threw down their weapons and disserted the field of battle. Some executives paraded about and did not listen to the experts within their own ranks – others reached out as deep as they could go to find the right people to advise them. Some executives locked themselves away and had their subordinates control the flow of information – others kept their doors open and could handle a great deal of incoming messages and information.

Titles faded away. Power, for a time, faded away, and was replaced by authority. But some stood on title while others rewarded merit. At all levels of the organization, there were risk takers. There were "play-it-safer's."

Observations

I was deployed to the response effort and had the opportunity to observe the reactions of leaders in the Macondo event. The following are what I observed to be the keys for those leaders who earned the respect of their teams and were able to navigate BP through the crisis.

The topic of the spill is a sensitive one to many, including the author. I have avoided the use of names. And the observations are intended to spotlight the behaviors of those involved that produced the most effective leadership. However, I would like to note that *everyone* involved was committed to stopping the flow of oil, protecting those responding, protecting and making whole those who had been impacted, and protecting and restoring the environment. *Everyone.*

1 – They experienced or planned the unthinkable before the crisis

The most successful executives had been through extremely difficult and painful experiences before Macondo. These experiences may not have been a crisis for the entire company, but for those entrusted to their care, it was a crisis. Those executives were able to draw on past experiences and apply them to the situation that was at hand.

Other leaders had the courage to look further down the field, the author included, and think the unthinkable, work out what the implications of those scenarios could be, and prepared themselves for what may lay ahead. The unthinkable continued to unfold with every passing day and every full or partial failed attempt to stop the flow of oil. Those who had worked through those scenarios were best able to handle their occurrence and move forward.

2 – They promoted a "One Team!" vision and culture

The more effective leaders were able to set aside the politics surrounding the ongoing event and work with a common purpose. They were able to understand that sometimes things must be said for the sake of politics in order for those individuals to be able to come back into the team and fight alongside them. Nothing is personal.

In a crisis situation, particularly those in which coordinated efforts are required with external stakeholders, it is important to operate as a single organization and avoid establishing separate and duplicative internal organizations. The BP leaders which worked within the National Incident Management Structure ("NIMS") were able to coordinate more effectively, while those leaders running internal teams separate from NIMS, had the arduous task of assuring that internal decision making, messages and the flow of information where getting to the right people so those people could represent the company in a unified manner.

One leader in particular did an amazing job of uniting an enormous team of professionals, from industry, the government at all levels and the military. Morning briefings ended with the chant of "One Team!" It was an emotional thing to see so many people with some many different uniforms, badges, patches, stripes and logos pulling together to carry out their mission.

They achieved incredible things as a result.

3 – They promoted merit over hierarchy

Leaders who were able to avoid mistakes in public were often the ones who listened to the experts. The eschewed the advice of media consultants and avoided "spin." They sought out those who knew their subject as it related to the event, whether capping the flow of oil, simultaneous operations (or 'SIMOPS'), environmental, health, or safety. They did not pay attention to title and rank, only knowledge and relevant experience, even if that experience was short.

4 – They adapted what they knew and applied it to what they did not know

Throughout the entire event, the teams faced challenges that had not been foreseen. A significant portion of the response techniques were adaptions from known processes and technology. Innovation was a mainstay.

The more successful leaders were able to draw deeply from their own experiences and skills and adapt them rapidly to the crisis.

5 – They promoted innovation and were prepared to fail

While innovation was essential to capping the well and minimizing the impact to communities and the environment, the more successful executives were able to avoid two things. First, they avoided the pursuit of perfection as ideas were developed and deployed. Careful consideration went in to the use of a particular technology or process, so as not to make the situation worse, but was balanced against the need to deploy and adapt quickly.

Related to this is eschewing a desire for consensus decision making before taking action. Consensus decision making has its role, especially when the decisions for the enterprise are large. But in a crisis, the successful leaders are prepared to here all sides and then make a decision even if the leader's team cannot reach consensus.

6 – They engaged stakeholders throughout the crisis

Finally, the more successful leaders engaged stakeholders. Rather than adopt a bunker mentality, they chose to engage stakeholders and communicate clearly what was known and what was unknown. Saying 'no' to a stakeholder is not the worst thing you can do in a crisis situation. Saying nothing at all is the worst thing you can do.

There is an important caveat to this and it relates to merit, above. Engaging with stakeholders does not necessarily mean any or all of the leadership must engage, but that their organizations engage. The more successful leaders knew when to engage, when to have others in their organization engage based on their expertise. The CEO needs to be judicious in which venues for which topics in which to engage, avoiding the temptation to appear "hands on" and a "white knight," but instead letting the teams closest to the response carry a bulk of the communicating load and provide them support.

Practical applications

Many of these observations may appear to be self-evident and based upon common sense. They are. But in a crisis, the playbook can be thrown away and stress can shift leadership to an emotional response, rather than staying focused on problem solving.

The best way to achieve this to take as much of the stress away as possible through preparation. That preparation should be based on the following:

1 – Planning: Organizations should have crisis plans in place not only for physical events such as Macondo, but for any enterprise level risk, whether it is financial, regulatory, terrorism, or health (e.g. pandemic). The unthinkable needs to be pushed to avoid a narrow view of potential crises. Teams should build scalable response options so they are able to react appropriately.

2 – Simulation: In addition to leadership development simulation and emergency response planning, organizations should simulate crises to test their plans, but also to test character and build familiarity of leadership with the stress of an enterprise level crisis.

3 - Promote and cultivate agility: During a crisis, all the best plans will run into challenges that will make them difficult to follow exactly. In other cases, there will be logistical issues preventing the right people able to be on site (e.g. Icelandic volcanoes stopping travel from Europe to North America, which did happen and did have an impact on the Macondo response). Other leaders will be asked to fill in roles that they are not used to. It is critical that an organization cultivate the skill in their leaders to move into unfamiliar territory, learn and take action.

4 - Hire the right people: Organizations would be well served to build into their hiring and assessments for high potential employees, testing which can help identify both agility and the traits outlined, above, in candidates for higher levels of management.

Concluding thoughts

Thoughtful preparation of leaders for a crisis, focusing on those traits observed during Macondo, will not only prepare organizations for a crisis, but cultivate traits that will suit an organization outside of times of crisis. In a world that is becoming increasingly volatile, uncertain, complex and fraught with ambiguity, the traits outlined above will serve leaders who confront the realities of a more turbulent world.

About the author

Jeff Morgheim is the founder and principal of Edge Strategic Consulting, LLC. His clients are able to "quantify the unquantifiable" to make high stakes decisions with confidence. Jeff is an experienced financial executive with nearly 25 years of execution in the oil and gas industry at both BP and Chesapeake.

When executives need to build confidence into their decision making processes, they call on Jeff. He has developed strategic and planning processes at BP across the globe. While at Chesapeake, Jeff led several organizational transformation efforts in strategic and business planning, as well as performance management. One of the more challenging efforts involved the successful formation and launch of a multi-year, enterprise resource planning program involving 400 employees, consultants and contractors.

When executives face a crossroads, Jeff has been called. At BP, he served as BP's climate change director. He led successful efforts to tackle ineffectual climate policies and to promote alternative approaches which were technically and economically sound. At Chesapeake, he developed the first corporate budget which balanced cash flow with investment, and deployed its first portfolio analysis process to underpin its strategic plans.

When crisis strikes an organization, once again, they call upon Jeff. He served the BP executive team during the Macondo oil spill in and supported the Gulf of Mexico restoration efforts and regulatory strategy. He has a singular, unique perspective on all facets of crisis planning and crisis leadership. When Chesapeake faced its own corporate crisis in 2012, they called on him to develop planning and performance management processes to stabilize the company.

Throughout his career, he has succeeded in bringing the finance and HSE functions together as partners to reduce risk and create value.

He is a graduate of The Johns Hopkins University with degrees in both Economics and Russian Language.