

Exxon's oil spill

Many companies have faced a crisis during their history, whether due to external forces beyond their control, through their own failings or management problems, or a combination of **the two**. Only a few, **however**, come to personify corporate irresponsibility through one pivotal event. Such

a one is Exxon's experience with the Exxon Valdez.

In 1989, Exxon Corp. caused one of the worst environmental disasters ever. On March 24, the Exxon Valdez oil tanker ran aground, spilling 250,000 barrels, an amount equal to more than 10 million gallons, of oil into Alaska's Prince William Sound. At the moment of the collision the third mate, who was not certified to take the tanker into those waters, was at the helm. The probably cause was established that the Captain and many of the crew had been drinking alcohol in considerable quantities. Efforts to contain the spill were slow and Exxon's response was even slower. The incident would go down in crisis management history as a textbook case of how not to respond during a crisis, and "by the time the media was finished, the Exxon name was synonymous with environmental catastrophe."

Time is a major factor in any crisis, and it is **one** that severely crippled Exxon. Since the Johnson and Johnson crisis in 1982, two things were expected from a company in crisis. "The company must do well solving the actual problem - in this case, cleaning up 10 million gallons of spilled oil. **And** the company must create a positive perception of how the problem is handled." Exxon was not successful in either attempt. In regard to addressing the actual problem, which Exxon claimed was its first priority, **it** took company officials nearly 10 hours after the accident to deploy booms to contain the spill. **In addition**, Exxon was criticized for refusing to acknowledge the extent of the problem, which was due, in part, to the advice of the company's legal counsel. To further stonewall, company executives refused to comment on the accident for almost a week. The biggest criticism the company received was the fact that the Exxon Chairman, Lawrence Rawl, waited six days to make a statement to the media **and** that he did not visit the scene of the accident until nearly three weeks after the spill. Combined, **these actions** left the public with the impression that the Exxon Corporation did not take this accident seriously.

The media can be an important tool for a company in crisis. They can help an organization disseminate information to the public. After the Exxon Valdez ran aground, Exxon conducted all of its communications from the small town of Valdez, Alaska. This remote location proved inadequate, having only limited communication capabilities, and Exxon seemed unwilling to disseminate its information using any other method or location. **Instead**, it told reporters "it was Valdez or nothing." In addition, statements made to the press by high-ranking executives were often inconsistent and contained contradictory information, leading the press to question the credibility and truthfulness of Exxon. **In addition** to its slow response and insufficient communication, the company's attempts to remedy its damaged reputation fell short of their intended goals. Initially, Exxon blamed state and federal officials for the delays in containing the spill. **When** asked how Exxon intended to pay the massive cleanup costs, one Exxon executive responded by saying it would raise gas prices to pay for the incident. **These attempts** to evade responsibility and defer blame angered consumers. Ten days after the spill, Exxon spent \$1.8 million to take out full-page ad in 166 papers. In the ad, the company apologized for the spill **but** still refused to accept responsibility. Many saw **this approach** as insincere and inadequate.

Exxon paid the price for its actions in several different ways. The cleanup effort cost the company \$2.5 billion alone, and Exxon was forced to pay out \$1.1 billion in various settlements. A 1994 federal jury also fined Exxon an additional \$5 billion for its "recklessness," which Exxon later appealed. **In addition** to the upfront costs of the disaster, Exxon's image was permanently tarnished. Angered customers cut up their Exxon credit cards and mailed them to Rawl, while others boycotted Exxon products. According to a study several years after the accident, 54 percent of the people surveyed said they were still less likely to buy Exxon products. Exxon lost market share and slipped from being the largest oil company in the world to the third largest. The "Exxon Valdez" entered the language as a shortcut for corporate arrogance and damage.