**1.** **Introduction**

The Deepwater Horizon Disaster of 2010 was one of the most influential environmental disasters the world has ever seen. The purpose of this in-depth analysis of BP’s actions is to create an overall assessment of the performance, health, and direction of BP.  Primarily we will be dealing with the preceding issues before the disaster, the event of the disaster itself, and the following aftermath. We will first begin with a broad company overview, followed by the opportunities and threats faced in this industry. Then we will conduct the former half of the SWOT analysis and dig deep into the strengths and weaknesses of BP as a company. After assessing the health of the firm, we will move onto the strategic overview of the problem, once we have gained a solid foundational idea of the problem we will expand on the strategic problems and the priorities those problems create. Finally, we will conclude with the options we have ascertained along with our recommended response. To close out the analysis we have included a conclusion summarizing the information included in this analysis.

**2.** **Company Overview**

**2.1.** **Background**

British Petroleum (BP), founded in 1909, was a poor-performing private oil company in its infancy. This company was then bought out by the British Government in order to subsidize their already weak performance. The main purpose of this move by the government was to have on-hand oil for the world’s largest Navy. The government later sold off their shares in the company which caused the company to once again suffer until the mid 1990’s. The company was improved by various CEO’s through 2007, when Tony Hayward replaced the previous John Browne as CEO. Hayward cut nearly 20,000 employees from BP’s workforce between 2006 and 2009. Hayward also stated that there was too much structure to get anything done at BP. BP became the largest company listed on the London Stock Exchange and one of the six largest non-state-owned oil companies in the world.

Only one of BP’s 18 Group Values are concerned with safety and it states, “no accidents, no harm to people, and no harm to the environment”. There is also a subsection of values that BP strives to maintain which are being performance driven, innovative, progressive, and green.Their objective is to be a leader in industry performance while also minimizing safety risk, and environmental damage.

Primary SIC Code: 5172 – Petroleum and Petroleum Products Wholesalers, except Bulk Stations and Terminals

Primary NAICS Code: 424720 – Petroleum and Petroleum Products Wholesalers, except Bulk Stations and Terminals

Industry Description: “Establishments primarily engaged in the wholesale distribution of petroleum and petroleum products, except those with bulk liquid storage facilities. Included are packaged and bottled petroleum products distributors, truck jobbers, and others marketing petroleum and its products at wholesale, but without bulk liquid storage facilities.”

Company Stock Symbol: BP

CUSIP: 055622104

BP is currently facing severe backlash resulting from the Deepwater Horizon Disaster of 2010. They were found at fault of violating safety procedures in the interest of profit. While constructing the well casing around the oil pipeline, BP ignored the contractor’s recommendations to use 21 centralizers on the pipeline and instead went with 6. They then used the “long-string casing” strategy to case the pipeline instead of the “tieback” method to shave time off their completion date, and to reduce costs even though there was more of an inherent risk due to the reduced protection layer against gas. They then did not follow industry best practices to drill around the well in order to check for gas pockets while putting down piping. After installing the cement for the pipeline, BP then decided against running a cement bond log to ensure the perfect seal in the concrete, which would have shown the cement to have been improperly bonded. These decisions and the huge environmental fallout of having nearly 5 million barrels of oil spill into the Gulf of Mexico has had a massive effect on the environment for years to come.

**2.2.** **Performance Analysis**

British Petroleum is suffering from a competitive disadvantage. Most of the top-tier petroleum companies are government-backed, so they are more protected from the downturns of the oil industry. These government-funded industries also enjoy massive governmental subsidies that allow them to function at a higher profit margin while enjoying reduced costs of operations when compared to privately owned companies. In addition to this disadvantage, BP has also been consistently hit by accidents such as the Gulf of Mexico oil disaster.

Our metric that we have chosen to represent the well-being of oil companies is cash flow from operations. This metric was talked about on numerous sites pertaining to the oil industry specifically as the number one metric when comparing performance. BP itself had cash flow from operations amounting to $17.3 billion. We then compared this cash flow from operations with Exxon Mobil’s ($23.69 billion) and Kuwait Petroleum Corporation’s ($59.18 billion). We chose these two companies because these were the next companies ranked above BP in a recent ranking of international oil companies that were privately held with similar annual profits. We can see from these three listings of cash flow from operations that BP is suffering from a reduced cash flow from oil operations this year and has been in a deficit since the Deepwater Horizon disaster.

The stock price for our three companies were the following as of February 19, 2018: BP $39.66, Exxon Mobil $76.53, and Kuwait Petroleum Corporation $59.18. When looking at the stock analyst recommendations on Yahoo Finance, BP’s stock was listed at $2.50, which was shown to be between the buy and hold metrics. This shows that although their listed stock price is not competitive with similar companies, there is still a strong outlook on their stock price for the future. Stock price has been down dramatically for BP in the past ten years. While it is not feasible to put the blame on previous disasters at this point, the reputation damage that was incurred by BP due to these accidents is almost certainly a reason why their stock continues to struggle. Another reason why BP’s stock is currently down is because the entire oil industry has been suffering recently, which is due to the price of a barrel of oil dramatically decreasing from its previous position. The company has a strong stock for future investment performance but it is not a recommended stock to purchase if looking to make some quick money.

While it’s hard to find industry reports that are publicly made available for BP, there are a lot of performance analysis data available online about their operations and industry reputation. While many oil companies are often found to be guilty of cutting corners in other areas to increase potential profit, BP is frequently mentioned in the headlines and publicly shamed for employing cost cutting measures. This could be because media sources know that BP has become a household name after the numerous oil disasters it has perpetuated.

A cursory glance at the respective Glassdoor site for BP has shown that only 66% of the reviews listed on the website would recommend the employer to a friend. While most of the negative reviews recently can be attributed to the vast reduction in number of employees resulting from the reduced price of oil, there are still some valid complaints about the company’s culture. The biggest negative listed in the reviews is that there is little respect for a good work/life balance. As the oil price ebbs and flows, so does overtime and a reduction in work hours. There are some positives listed on the review page, with the notable positives stemming from great pay and a nice retirement setup.

While one obviously cannot rate BP as a environmentally friendly employer in the past, they are trying to push the green friendly initiative since its turbulent past.They were recognized as the number one most environmentally friendly oil company in both 2008 and 2009 due to their progressive renewable fuel source research. They continue to push for more research in all areas of green research and have vocally announced that other companies should do the same. In addition to funding research, BP has also practiced operational transparency and producing publicly-available sustainability reports.

In summary, while BP has had a turbulent couple of years in the past following the massive oil spill in the Gulf of Mexico, they have been investing and practicing environmentally-friendly operations since. Their workforce culture seems to be flourishing due to the great benefits and organizational transparency. It is difficult to separate the damage to the company that can be attributed to reputational damage versus the damage to the company from the industry wide economic hardship. I would say that BP is due for rising profits, and industry-wide recognition for its dedication to improving their environmentally sustainable actions in an industry that, historically, has done otherwise. As long as the oil price remains constant or increases during the next few years, I can say with some degree of certainty that BP will flourish in the coming years, which will make it a target of speculation for the stock market industry.

**3.** **Opportunities and Threats**

**3.1. General Environment**

Just one year after the market crash of 2008 – (2009) energy

investments were at an all-time low, with BP Oil decreasing investment plans by 13.6% a year before the Deepwater Horizon oil spill. There are no concrete studies that correlate the decrease in investment as a direct cause of the accident. One may infer, though, that it could have influenced BP Oil executives to delegate oil rig tasks to other companies, which is the root cause of the lack of coordination at the Deepwater Horizon work site. After the disaster Secretary of the Interior Ken Salazar imposed a moratorium on BP Oil to assess safety standards before continuing oil rig operations; according to analysts from the government, around 2,000 rig worker jobs were lost due to total spending of BP Oil operations falling by $1.8 billion. This was only in effect until November 30, 2010. (“Estimating the Economic Effects of the Deepwater Drilling Moratorium on the Gulf Coast Economy,” Economics and Statistics Administration of the United States Department of Commerce, September 16, 2010). Shortly afterwards, Tony Hayward, BP CEO at the time, was found to have commanded shortcuts for economic reasons as investigated by the Bureau of Ocean Energy. This was a significant finding, but it caused little to no environmental policy changes to address the calamity of this issue. BP Oil did not change much in their practices besides lessening investment in oil.

In addition to the impact of the economic environment of 2008 leading to the oil spill in 2010, BP CEO Tony Hayward had expressed even before 2007, of transforming organizational culture to be less risk averse. This was a huge concern for everyone involved as safety is of the utmost importance; yet, the head of the organization was more concerned with financial performance than safety standards that maintain the business itself in the first place. Hayward, later on, expressed concerns on safety issues and putting too much focus on growth and production targets -- contradictory to his earlier statement on wanting to be less risk averse. His meandering beliefs prove so that these statements were solely expressed to improve investor confidence in BP. As far as tangible moves, the company decreased managerial and lower level staff workforce between 2006 and 2009 from 97,000 to 80,300. They found that outsourcing more of their tasks was more efficient. Furthermore, under the leadership of Hayward, the asset federation model was adopted – views site managers who autonomously managed operations, hence the focus on compensation for performance. (https://www.theglobalist.com/time-to-break-bp-up/) Rather than focusing on environmental issues, financial figures were the more important concern resulting from a profit maximization-driven leadership.

The internet boom of the later 1990s and early 2000s saw an increase in the millennial generation’s demand for energy consumption. The Organization for Economic Cooperation and Development expects an energy demand growth by millennials as directly sourced from oil barrels from 140 million barrels in the 2000s to 318 million barrels by 2030. This is a significant increase, compounded further by the decrease in oil rig spending. To supplement that constraint of demand and supply more, the 25-34 age group decreased from 1990 to 2000s, but the 35-44 age group increased, meaning more workers were available to work for BP, yet BP significantly decreased employment spending in 2008. (https://www.census.gov/prod/2001pubs/c2kbr01-12.pdf) According to the Bureau of Labor and Statistics the median oil rig worker is 44.7, putting the middle age workers at the forefront of the BP oil workforce. In short, there are more eligible workers that can staff BP Oil, yet the decrease in investor expenditure is contradictory to the demands of the ever-increasing energy demand of the 21st century.

Aside from the transparency issues of the Deepwater Horizon incident, the PR strategy of BP garnered skepticism as to how they conducted their political and legal reparations. They hit hard controversy as they offered fishermen up to $5,000 if they signed the waivers agreeing not to sue BP for damages caused to the environment and the implications of that to those directly involved. (https://archive.nytimes.com/www.nytimes.com/gwire/2010/06/10/10greenwire-bps-pr-blunders-mirror-exxons-appear-destined-98819.html?pagewanted=all) This is reminiscent of the way Exxon handled their oil spill issue, putting scientific development over safety of the environment and the people. This negatively impacted the image of BP given their misguided concerns of the spill.

Improvements in drilling technology have significantly benefited economies of scale, therefore increasing overall production of oil. BP Oil was not known much for advancements in technology in the R&D department, but they have borrowed improved drilling technologies from Texaco and Shell. Those companies developed sophisticated rotary rigs over unidirectional pile drivers as supported by steel structures that lowered cost while improving drilling time and extract quality. This allowed BP to expand their drilling capabilities far offshore in the north of the Gulf of Mexico. Despite the improvements in technology, shortcuts in management have undermined their capabilities.

Many factors contributed to the prolonged environmental damages of the Deepwater Horizon oil spill of 2010 in the Gulf of Mexico. The main one stems from the Macondo Project wells openly gushing for three months after the incident on April 20, 2010 due to safety issues that prevented closure of the well and cleanup efforts. Spillage totaled to 3 million barrels (and ongoing) that spanned from Texas all the way to Florida affecting people, animals, and the ecosystem at large. Moreover, the oil spill reduced the strength of soil cohesiveness resulting in literal disappearance of islands in the area. From ducks to dolphins, all the way to pelicans and also people who made livelihood dependent on the healthy well-being of the ecosystem were affected. The cleanup itself has already amounted to $28 billion for BP. The situation does not end there as BP is having to pay other fees involving contract breaches, reparations, legal fees and so on -- costing BP a total of $61 billion to deal with the situation. The daily cleanup cost is estimated at half a million a day. The damages still linger and there is no foreseeable total cleanup of the incident.

**3.2. Industry Involvement**

BP Oil is one of the most vertically integrated companies, and they participate in all points of the value chain in the oil/petroleum industry. They perform businesses involving finding oil and gas; developing and extracting oil and gas; transporting and trading; manufacturing/refining; marketing fuels and products; and generating renewable energy.

Despite their extensive involvement in the oil industry value chain, they still are exposed to threat of substitution, supplier power, buyer power, and threat of new entrants; these all make a competitive rivalry in the industry, which is a modeling analysis called the Porter’s Five Forces. Threat of new entrants might be assumed as high but the capital investment required in the oil industry is enormous, hence why many companies involved in the industry only grow through acquisitions as subsidiaries and/or as a new branch of an existing company. The growth nature of the industry makes it hard for one to just establish a viable competitor out of nowhere without existing capital in the industry. Threat of substitutes, on the other hand, is moderate as developments are contingent upon contracts of the main stakeholder.

 If BP Oil had extracted from the Deepwater Horizon project successfully in conjunction with Transocean they could choke hold the area, but since they had an accident, political and legal ramifications favored competitors to rights of certain areas geographically proximate to the area of the incident. In terms of supplier bargaining power, BP Oil is too integrated in the oil industry and their own value chain, it would be hard for anyone involved in their contracts to bargain with BP as they probably control most of the operations anyways. In contrast, buyers are a high threat to BP. The bargaining power of buyers ranging from countries like China and the USA to daily consumers can affect the business of BP. This is more so in the case of national powers that bargained upon the Deepwater Horizon incident, with lower prices per barrel and contractual leverages in contracts pertaining to that specific country.

**3.3. Opportunities and Threats Summary**

What the incident at the Deepwater Horizon (Gulf of Mexico) oil rig inflicted on BP was a mere linear downsizing of their capabilities, and they are still holding potential to reoccupy their seat as one of the oil industry giants. From 1999 to 2014, they have experienced a decline in global market share. Surprisingly, they rebounded from 2014 to 2016, as global oil consumption grew by 1.6% yearly. There was strong growth on demand but weak production growth, so the whole market balanced out mid-2016 as prices have also normalized.

 What this means for BP is a potential business growth once the Deepwater Horizon oil spill has been fully settled, and national policy trusts have turned to the favor of BP. In other words, BP has also been at the helm of renewable expenditure in the oil industry. The Deepwater Horizon oil spill was a bust to that figurehead position held by BP. Although in 2017 they acquired British solar company Lightsource (now Lightsource BP) worth $200 million, this expenditure is quite small in comparison to their yearly $16 billion capital expenditure. This acquisition poses great potential for BP as a market leader in the renewable energy industry due to improving investor business relations.

Busts will probe BP as much as boons have come to them. The oil spill at the Deepwater Horizon rig basically locks them out of the area for oil rig work. In 2012, the EPA basically barred BP from receiving any new contracts with the federal government specifically and even leases on federal land. This has a lot of loopholes, but they are out of the question in the United States oil industry market due to the contractual sanctions by the United States federal government. Difficulty of this situation further impedes their business growth as the political hurdles they incurred expand beyond the United States. On top of their stained image, they lost a 5% share in the oil trade market in the UK due to trade sanctions imposed on the Iranian government where BP extracted that supply.   Not that this was solely due to their oil spill incident, but mistrust from a myriad of countries (Egypt, Algeria, and Libya) has immensely decreased their Middle Eastern presence since being forced to pull staff.

**4.** **Strengths and Weaknesses**

**4.1.** **Company Resources**

BP is an extremely large company, with current assets as of December 2016 around $67 million Looking at BP’s debt equity ratio in December 2016 of 0.61 to measure how much debt they are using to finance their assets when compared to the value of shareholders equity, we can see that BP has a little more than half as many liabilities than they have in equity. BP has the financial ability to either generate funds quickly both internally and externally; owning four companies allows them the ability to move money from one business to another, and BP can certainly obtain more debt with a debt to equity ratio of 0.61. As of 2018, BP has 915,218,000 shares outstanding, which is almost two times as many shares as that of competitor Royal Dutch Shell which has 481,723,000 shares outstanding. With 2016 profits of nearly $28 billion, BP can clearly afford to take on more debt and issue additional stock.

         With BP having a presence in almost every single facet of the value chain, the company’s physical resources are expansive. As of December 2017, BP spends $129,471 million annually on property, plant and equipment. BP has the global presence of having 74,500 employees spanning 72 countries around the globe, serving the energy needs of their customers. Being located in 72 countries allows BP the advantage of always being close to both the supply of the oil, but also the demand. BP has refineries and operations wherever there is oil to be sourced; through the transporting and trading, manufacturing, and marketing of their fuels and products, a competitive advantage is made.

         The chairman, CEO, and COO at BP bring much expertise and experience of the oil industry. BP’s CEO Bob Dudley has spent his whole career in the oil and gas industry, having served in various managerial aspects of BP’s business since 2000. The chairman of BP’s board Carl-Henric Svanberg has had much experience in serving as chief executive officer and president of several high profile businesses such as Assa Abloy Group and Ericcson, while serving as chairman and a member of the board for Sony Ericsson Mobile Communications AB, and AB Volvo. The chief executive of BP’s Downstream operations (manufacturing and marketing) Tufan Erginbilgic has a long history since 1990 in the fuels business, previously serving as the chief operating officer of BP’s fuels value chains worldwide. BP’s chief executive of the Upstream segment (exploration, development and production) is Bernard Looney, who has held various roles such as a drilling engineer in 1991, head of the group chief executive’s office in 2007, managing director of BP’s North Sea business in 2009, and in Febrarury 2013 became COO of production. The last BP COO is Andy Hopwood, responsible for BP’s upstream strategy, portfolio, and leadership of its global regional partnerships. Andy Joined BP in 1980 and has spent time in operations, corporate planning team, commercial leadership, in addition to being a key leader in BP’s businesses in BP’s businesses in Azerbaijan, Trinidad, Tobago and onshore North America.

         Comparing BP’s executive management with that of its top competitor, we first must take a look at the merits of the Royal Dutch Shell executive management team. Shell’s chair Charles Holliday brings extensive management experience, coming from his stint as chief executive officer of DuPont from 1998 to 2009, to his involvement in serving as the Chairman of the Bank of America Corporation and the Business Council. The CEO of Shell Ben van Beurden has been with Shell since 1983 and has had a career that involved both upstream and downstream activities, having held many operational and commercial roles before becoming an executive vice president of chemicals in 2006. Shell’s downstream director John Abbott has been with Shell since 1981 primarily in the areas of global manufacturing and supply, trading and distribution, while being appointed to executive vice president of global manufacturing in 2012 and leading “a team of 30,000 contractors based at around 30 refineries and chemical sites worldwide.” Finally, Shell’s upstream director Andy Brown has been with Shell since 1984, and served until 2000 In various engineering and project management roles. Andy brown has since served in many capacities, such as leading the “successful $18 billion pioneering Pearl GTL gas-to-liquids project as Managing Director and Qatar Country Chairman,” being appointed executive vice president Qatar with managing all Shell’s upstream business in Qatar, and serving as the upstream international director who was responsible for global upstream and integrated gas businesses.

Similarities can be seen in the expertise and experience of the executive management at BP and Shell. The CEO of both companies has typically been in the industry and with the same company for 20+ years, and both have held upstream/downstream activities throughout their careers, in addition to both serving in various management positions within each company. Both chairs have also served as the CEO of a different company than either Shell or BP, as well as both serving as chairman of various boards.  In both companies, the operations managers who handle the upstream area of business for both Shell and BP have careers shaped around engineering, while both downstream managers have experience around global supply chain management.

BP company culture is one of openness and respect, where everyone’s ideas and expertise is valued, and where everyone is able to make an impact. Further, BP provides an inclusive work environment where employee differences are celebrated and provides a wide array of benefits for employees. The BP has a worldwide reputation for quality gasoline, transport fuels, chemicals and alternative energy like wind and biofuels. The BP brand represents the foundation of everything that is done at BP, with the name appearing on production platforms, refineries, ships, and corporate offices as well as on wind farms, research facilities and at retail service stations. The brand also provides the values that drive the relationships built with governments and their partners, and for the customer side of their business it is the guide for BP’s customers that reflects their promise in terms of products, service and relationships.

         BP has various trademarks, with one in particular being their Helio symbol. They also have a number of trade secrets, with a news report from back in 2015 claiming that a crude oil analyst who had left BP had “compiled over 950 business files containing confidential and valuable information and uploaded the files to his personal Amazon Cloud Drive.” This ex-employee then tried to use these stolen trade secrets to get employed by a competitor. Finally, BP has countless patents assigned to the many facets of their business, such as the patent of the catalyst treatment for the reaction of synthesis gas.

**4.2.** **Company Capabilities**

BP has an incredibly efficient and effective business model that has helped BP create value. “Having upstream and downstream businesses, along with well-established trading capabilities, helps to mitigate the impact of lower oil and gas prices,” and their geographic reach gives them “access to growing markets and diversifying exposure to geopolitical events.” Firstly, the access to new sources of oil and gas allows BP to renew their portfolio, discover additional resources and replenish their development options, with exploration activities focused “in the areas that are competitive in the portfolio.” Further value is created by “seeking to progress hydrocarbon resources and turn them into proved reserves,” or selling them if they don’t fit with BP’s strategic priorities. BP develops and produces resources that meet their return threshold, and then sells the resources to the market or to one of their downstream facilities. The transportation of this oil and gas is another spot of operational efficiency for BP, with the transportation occurring through pipelines and by ship, truck, and rail. BP also trades products like “oil, natural gas, liquefied natural gas, power and currencies,” in which “traders complete around 550,000 transactions and serve more than 12,000 customers across some 140 countries per year. BP also successfully uses market intelligence to help them deliver what is needed at the time it is needed, in addition to identifying the “best markets for BP’s crude oil.” Finally, the “advantaged infrastructure, logistics network and key partnerships” have allowed BP to have “differentiated fuels businesses and deliver compelling customer offers.”

         BP does an excellent job of attracting the right people for their positions, creating an environment where they will invest in employee development to satisfy their commitment to “building a stronger, safer, reliable, and more sustainable future. One such program BP uses to attract new talent is their challenge program and future leaders program, which are focused towards developing the technical and professional skills of recent graduates, and offering the resources BP has to offer employees to propel recent graduates into senior roles at BP. Another way BP helps to attract and maintain employees is through learning accomplished through structured courses, online learning, mentors, in addition to more informal learning through a more collaborative approach of sharing information between all disciplines to arrive at solutions together. BP offers an emphasis on diversity and inclusion being crucial to their ability to remain competitive and thrive globally, offering various programs for those with disabilities, veterans, ethnic minorities and the LGBT community to show this commitment to the diversity and inclusion at the company. In order to attract and retain the best people, BP offers competitive reward packages that are among the best in the market, and further enables its employees the opportunity to learn, grow and contribute. With the global energy challenges employees deal with every day, having a hand in helping solve the global energy challenge “gives our people job satisfaction that is second to none.”

Technology is at the heart of every aspect of BP’s business. Firstly, technology is foundation of the upstream businesses (exploration, development and production) part of BP’s business, where strengths in “exploration, deepwater, giant fields and gas value chains are supported by technology leadership positions in seismic imaging, enhanced oil recovery, unconventional and digital technologies.” Technology is also the foundation of everything done across downstream businesses, with scientists and technologists creating high-quality, energy efficient lubricants. Technology is also crucial for the downstream businesses by enabling refineries to “process hundreds of crude oils blends a year, safely, reliably and efficiently,” in addition to enable BP to “develop and test innovative fuels and lubricants.” Investment in the development of artificial intelligence (AI) and cognitive computing shows that technology is a crucial piece in the digital innovation at BP. Finally, technology is essential for BP’s biofuel business in Brazil and “the extensive biofuels business value chain presents a range of opportunities to introduce digital technologies to operate faster and smarter, and to drive additional value,” with examples including “establishing an agriculture intelligence center to allow remote monitoring of all operations, and deploying new sensors and enhancing on-board computers on harvesting and plant equipment to optimize productivity.

After the Deepwater Horizon disaster in 2010, it turned out that advertising would be more important than ever. BP is the number one marketer of natural gas in the North America, “selling enough to meet the average daily needs of every home and commercial business in the United States.” An example of BP’s advertising expenditures comes from 2010, when from the period covering April 2010 when the disaster occurred to the end of July 2010, BP spent $93,429,175 on advertising, which was more than three times as much as it had spent on advertisement during the same period in 2009. Much of this advertising was targeted at local and national news outlets, in addition to paying $89.5 in grants to aid tourism efforts along the gulf coast, some of which have been used for “advertising by each state or its tourism agency.” Due to the Deepwater Horizon disaster in 2010 that is said to cost a total of about $65 billion today, the BP brand and business was severely impacted, causing BP’s marketing to go quiet for a while. Today, BP has a new advertising campaign that attempts to shift the brand position from focusing on engineering, to moving to a campaign that focuses on fuels, showing that BP recognizes “how important the car is to customers in their everyday lives” says UK head of marketing Natalie Cattermole. (

         BP relies on its rich heritage of technical expertise in oil and gas to develop new technology that tackles present and future issues. BP recognizes that issues like climate change are real, and investing in energy development to improve the energy efficiency of their operations by moving to low carbon options is a key priority at BP. BP is facing issues like climate change by growing into new low carbon opportunities “through internal research and corporate venturing involving bio-products, digital, sustainable mobility, carbon management and power and storage.” BP further uses this research to support safety – “from corrosion management and advancements in detection and inspection, through to sensors, data analytics, advisory systems and robotics.” (Looking at BP’s R&D intensity ratio, in 2016 BP spent $400 million on research and development, while total revenues for the year equaled roughly $183 million, leading to a ratio of 2.18 which means that BP spends more than two times more on research and development than its revenues. The above statistic presents a clear case of the importance BP has on the research and development side of the business, much of which is accomplished through the use of technology.

4.3. Strengths and Weaknesses Summary

Upon analyzing the strengths of BP’s resources and capabilities, based on the VRIN assessment there are a few strengths and capabilities that stand out above them all. The first strength that provides BP with a competitive advantage is the intellectual property, patents and trade secrets of the business. In the oil and gas industry, having patents and other intellectual property on certain production and refinement techniques is without a doubt valuable to BP, it is rare in that these trade secrets and intellectual property is secured for BP and is not shared with competitors which means that it also cannot be obtained from competitors, and different ideas and discoveries that progress the organization are also non-substitutable unless a new idea gets thought up. Next, the BP’s company culture being one of openness and respect, where employee perspectives are valued, and employee development is emphasized, is a vitally important strength that provides BP a competitive advantage over its competitors. The value that this type of company culture brings is that the near 80,000 employees are an integral piece in solving global energy challenges, and by treating the employees the proper ways can vastly increase the innovation and productivity of the business. No two company cultures are the same, so by BP’s ability to set itself apart from its competitors from an organizational perspective creates a rareness and imitability of this strength that cannot be substituted by another resource. BP’s brand is also a critical strength producing a competitive advantage, for the values the band provides that drive the relationships built with governments and their partners, and as the guide it acts as for BP’s customers that reflects their promise in terms of products, service and relationships. The value that is represented through the BP brand is intangible, but the power and influence the brand represents is extremely valuable in providing BP a competitive advantage, while the values behind the brand creating a rareness and imitability that sets BP apart from its competitors.

         The strengths in the capabilities of BP include their use of technology, research and development through the use of technology, in addition to their human resource capabilities in the development of their employees. Firstly, BP’s technology leadership positions in seismic imaging, enhanced oil recovery, unconventionals and digital technologies have provided BP with strengths in exploration, deepwater, giant fields and gas value chains. The value technology has provided for BP has allowed BP to stay on top of the game in all facets of their business, which is rare and cannot be easily imitated by competitors

         Resource weaknesses of BP include the different tragedies like the Deepwater Horizon disaster that the company has been faced with, the closure of many oil wells that have led to many layoffs, and poorly handled disasters on behalf of BP senior management. Tragedies like the Deepwater Horizon disaster adversely impacted the BP brand, in addition to the declining oil reserves causing layoffs that further help tarnish the brand. Primary weaknesses in the capabilities of BP include the pressure put of the company to move toward low-carbon options, poorly handled marketing measures after disaster, in addition to the lack of corporate governance in safety procedures. The pressures moving toward low-carbon alternatives to oil and gasoline weaken the industry BP is in. The lapse in marketing for several years following the Deepwater Horizon disaster effectively put BP in a defensive stance, having to play catch-up to industry leader. Finally, the lack of corporate governance in safety procedures calls into question human resource capability at BP.

**5.** **Strategic Overview**

**5.1.** **Current Business Level Strategy**

The 2 by 2 strategic business matrix is an essential tool that many organizations use to determine their competitiveness in the market. In a market that is crowded by a lot of companies that are providing the same services, it is important for a company to analyze certain factors that may help it to determine whether it is in a position to compete with its peers or not (Porter, 2011). BP has been a leading company in the sector of oil and gas exploration. It also markets and sells the products to markets across the world. Some of the leading brands of BP include Amoco, ampm, and Castrol. BP has deployed a wide range of strategies to improve the productivity of the company. It has differentiated its products and developed cost strategies to make its products affordable.

**BP brands' sources of competitive advantage**

Certain elements make products of various companies more competitive than others. In a world that is becoming increasingly competitive each day, it is incumbent upon organizations to apply the best strategies that allow them to be successful in the market. The following is a discussion of three of BP's products and the manner in which they contribute to the competitive advantage of the company.

Since 1912, Amoco has been one of the leading suppliers of gas to American motorists. Even in the face of troubles and turbulence occasioned by the unpredictability of the global oil market, Amoco has withstood the test of time. In 1998, Amoco merged with BP and gave rise to Amoco BP. After being out of the market for a significant duration, Amoco BP reintroduced Amoco in the market in 2017. The brand offers some of the most affordable gas prices in North America. It cuts its prices below industry standards to make sure that it has a huge volume of sales which would in return lead to increased revenue.

AMPM is one of BP's brands that provides goods and services to passengers in transit along the major highways. BP has close to 950 of these outlets, and the outlets are mostly attached to its gas stations (Johnson, 2016). One of the features that makes ampm such a popular brand is the diversification of the products that it supplies. The brand offers a wide range of goods and services at the uniform process in many parts of the country. The diversification of the range of products that BP offers makes it attractive to a significant number of customers across the country.

Castrol is another brand of BP products that mainly supplies lubricants to motorbikes and other automobiles in the market.  Since the company's acquisition in 2002, it has maintained a high level of specialization and innovation to provide lubricants that are of the highest quality and responsive to the needs of the market. The source of the brand's competitive advantage is in its application of technology to come up with lubricants that meet the quality standards of the market. It provides high-quality products at affordable costs to its customers.

**The competitive scope**

In the evaluation of the strategies that organizations put in place, the competitive scope of come into play. Together with cost leadership and differentiation, competitive scope forms the foundation upon which the performance of products is to be examined (Porter, 2011). The competitive scope can be viewed with regards to narrowness or broadness of the product market.

Amoco operates mostly in North America where it has a substantial market base. Over the years, Amoco has invested heavily in the expansion of its services to most regions in the North American region. Its combination of cost leadership with product differentiation has made sure that it has a wide competitive scope. Amoco produces oil and other gas products at the highest quality to suit the needs of the consumers. The combination of the quality and low costs has made sure that Amoco has a large competitive advantage.

AMPM is one of the leading brands of BP in the country. In the process of delivering goods and services to the clients, the company offers a wide range of goods to its customers. In this business, BP focuses on the provision of goods and services to passengers along the highways in the country. AMPM has its focus on a narrow scope since it serves a limited group of customers. In this arrangement, it is extremely difficult to see people going to shop in the ampm shops. The facilities mainly serve travelers especially those that pass through the BP gas stations.

Among the lubricants in North America, Castrol ranks as one of the most efficient and reliable. Castrol majorly targets motorists in North Africa. It provides high quality lubricants at affordable prices. The product is suitable even to individuals of low income backgrounds. The technology that Castrol uses allows it to make sure that its products are of the highest quality yet affordable to the market.

**6.** **Strategic Problems and Priorities**

**6.1.** **Problem Statements**

From the case analysis, the SWOT analysis and the strategic assessment, it is evident that there are critical problems with the operations of BP that need to be fixed. The following are some of the problems that are evident with the operations of BP:

In 1989, when Richard Horton took over the leadership of the company, he had an idea which he wanted to use to turn around the fortunes of the company. Horton started a process of reducing the expenses of the company by instituting a raft of measures. The development of cost-cutting strategies hindered effective execution of some of the functions of the company such as monitoring and evaluation of safety and quality measures since most of the functions were suffocated of the finances that they needed to meet their obligations.

The failure of BP to have safety and quality as some of the brand values contributed massively to the problems that the company faces currently due to its failure to communicate a culture of adherence to safety standards among the employees. In these circumstances, it becomes very difficult for the employees to have an understanding of the safety needs of the organization and that may have led to hasty decisions.

The decision to decentralize decision-making to the regional units caused lapses in the coordination of the activities of the organization, and that necessitated the execution of tasks that did not meet the quality standards. When the decision-making powers are decentralized, all the units are in a position to make decisions that do not fall in line with the agenda of the company. Besides, the failure by the head office to have a direct role in the making of these decisions affected the quality of the activities of the organizations. The failure of the central management to have controls over the decision-making processes might have had impacts on the quality of the products.

Finally, the failure of BP to learn from past accidents and develop effective damage control measures contributed significantly to the failure of the company to manage the new disaster effectively. In the 2000s, the company was faced with technical challenges that led to the failure of the systems. However, due to the failure of management to address the issues of the past, it became incredibly difficult to improve the management of the situations.

**6.2.** **Strategic Priority**

BP is suffering from a wide range of problems that call for change in the strategic objectives. The main strategic priority of BP should be to reverse Tony Hayward’s organizational culture. Which enforced cross-cutting strategies that were less risk averse and looked pass safety standards that could have prevented the Deepwater Horizon oil spill in the Gulf of Mexico. BP needs to improve the safety of its operations by developing better safety standard procedures to avoid future spills and costly recoveries. In this regard, it is essential to develop strategic priorities that would improve the effectiveness of its operations. Firstly, it is important to revert to the original decision-making organization of the firm and make sure that the central management at the headquarters has a say on the operations and decisions that these organizations make. \*\*(Combine two strategies by saying improve organizational structure to improve safety measures? )\*\*\*The second strategy that the organization must pursue urgently is to allow organizations to start spending on the vital operations of the organization. The company must make sure that it has sufficient human resources to handle the tasks that are available. It is also essential to increase spending on research and innovation to allow for the discovery of the most appropriate mechanisms that may be used in improving the efficiency of service delivery in the organization.

**7.** **Strategic Options and Recommended Response**

**7.1.** **Strategic Options**

Option #1: Reverse the Less Risk Averse Organizational Culture

As mentioned in the cultural analysis portion of this paper, Tony Hayward transformed the traditional risk averse organizational culture into one that was riskier. This led to the development of many behaviors that ignored safety cautions voiced by contractors involved in the 2010 Deepwater Horizon oil rig spill. These behaviors were developed post-2008 recession when the rule was enacted. The incident was much costlier to the organization, than taking the precautions in the first place hence they should have followed the initial safety cautions. This is classic risk mismanagement of their portfolio of assets under a leadership who perceived that return on investment of assets was more important than ensuring the effectiveness of their operations in the first place. Among oil industry experts, deepwater oil drilling is as complex as NASA space exploration, so they should consider both the safety cautions and the technological necessities to be of the same degree of importance in their organizational culture. Now, BP is stunned with damage that is impossible to avoid where concerning to revenue and brand image.

Option #2: Rethink Public Relations and Company Goals

According to NPR news, the Deepwater Horizon oil spill in the Gulf of Mexico is a textbook example how to not handle public relations. Our strength and weaknesses analysis revealed that regardless of the oil rig sanctions that the United States has placed on BP, business should continue, and profits will recover for BP. To maintain a stable organizational environment moving forward, BP will have to present itself better to the public. The executive team of BP essentially blamed the accident on contractors, whom indeed worked for BP and handled more tech-savvy problems for them. However, they were revealed to have warned BP of potential dangers months before the accident. Hayward was not the right face to apologize to the public given his narcissistic persona, and the board of directors took too long to figure that out before the media jumped on the opportunity to help BP dig their own PR grave. Not only was this costly for the organization in allocating more money for better PR but it gave the nation state economic and political bargaining power that is costly for other BP operations. Bad public relations not only lead to negative view of the company but can become costly beyond brand value. BP will have to reconsider their public relations strategy.

**7.2.** **Strategic Recommendation**

Our strategic recommendation is to pursue option two “Continue with a better public relations team and company goals”. This recommendation will help BP to best rebound from this disaster, while also providing a more positive outlook for the future of the company. There is a great potential for a positive outlook as ascertained by our strength and weaknesses analysis of the company. With BP’s non-limiting budget, and proven track record to succeed when under proper leadership there should be no issue with starting to rebuild the company’s reputation. Option number two also helps address current weaknesses of the company, namely its culture. Culture at BP has always been an issue, from having to get multiple sign offs in multiple locations just for the conduction of a test to a heavily reduced oversight which we see now. The reason option one did not merit our strategic recommendation was due to the fact that the changing out of a risk averse culture was the single most important factor in BP’s success. Without Tony Howard’s direction, BP would be a non-relevant player in the oil industry.

One method we can use to demonstrate the value of option one is the VRIN framework. Having a great public relations committee is extremely valuable to a company as widespread as BP. Mitigating reputational damage has to be BP’s number one priority as it moves forward. While rare and perhaps edging into questionable legal territory, a public apology accepting some fault in the disaster would have really helped with easing the concern that BP was going to get off scot-free. While focusing more on public relations for a multinational oil company is not exactly unique, it would be more difficult to imitate at a lower-tiered company without the same resources as BP. Corporate public relations are substitutable but not in any cost-efficient sense. With cost being the primary focus of BP at the time of the disaster, we can safely assume that they will continue to be a profit driven company in some capacity. Improving the reputation of the company is by far the most effective and safe way to not only guarantee future success for the company, but also to move past the deepwater horizon disaster of 2010.

**7.3.** **Implementation Plan**

Describe in some detail how the firm should go about implementing the strategic recommendation.  Provide a timeline for implementation, a list of the resources or capabilities the company needs to acquire or develop, some assessment of costs involved (to the extent available financial information allows), the organizational/structural changes required and problems that might be encountered during the implementation.  Talk in specifics.  (HINT: If you recommend a merger or international strategy, for example, be sure to discuss how the structure/controls will have to change as a result!)

Provide a summary back-up plan.  Discuss the conditions under which your strategic recommendation might not work.  For example, does your strategic recommendation depend on the economic recovery or interest rates remaining low?  If your strategic recommendation cannot be implemented as planned, then what would/could the company do?