Fall Semester 2020

Course: MAR205

Case Study: **Exxon Corporation's Bad Good Friday**

Instructions:

1. Read the case below, and answer the questions at the end of the case.
2. Your answers must be based on the facts and other supporting evidence as indicated in the case, your notes and the relevant chapter(s) in the book.
3. Your report (summary and answers) should take at a maximum, **2** A4 size pages.
4. This is a group assignment. Each group should consist of 2 to 4 members. Please state on the cover page, the names and numbers of all students in the group.
5. The assignment is due on Tuesday, November 17, 2020. Please send your assignment to my email address: **yiannos.rossides@ac.ac.cy**
6. Late assignments, if accepted, will be penalized, i.e. the maximum attainable grade will be 80%.

Case Study:

In the history of public relations practice, few communications issues have been handled as questionably, received as much global notoriety, and had such far-reaching implications on the profession as those involving the Exxon Corporation in 1989.

At 8:30 a.m.on March 24, 1989-Good Friday, no less-Lawrence G. Rawl, chairman and chief executive of the Exxon Corporation, one of the world's largest companies, was in his kitchen sipping coffee when the phone rang.

"What happened? Did it lose an engine? Break a rudder?" Rawl asked the caller.

What happened was that an Exxon tanker had run aground and was dumping gummy crude oil into the frigid waters of Prince William Sound, just outside the harbor of Valdez, Alaska.

What was about to happen to Mr. Rawl and his company- and to the environment-was arguably the worst environmental disaster in the history of the United States.

The facts, painfully portrayed in media across the country, were these: The Exxon *Valdez.* a 987-foot tanker (Figure 5-5), piloted by a captain who was later revealed to have been legally drunk, ran aground on a reef 25 miles southwest of the port of Valdez. The resulting rupture caused a spill of 260,000 barrels, the largest spill ever in North America, affecting 1,300 square miles of water, damaging some 600 miles of coastline, and killing as many as 4,000 Alaskan sea otters.

The communications disaster also enshrined the name Exxon in the all-time Public Relations Hall of Shame.

To Go or Not to Go

The first problem that confronted Exxon and its top management after news of the Good Friday spill had broken was whether Chairman Rawl should fly to Prince William Sound to demonstrate the company's concern. This was what Union Carbide Chairman Warren Anderson did when his company suffered a devastating industrial explosion in Bhopal, India.

If Rawl went to Alaska, the reasoning went, he might be able to reassure the public that the people who run Exxon acknowledged their misdeed and would make amends. What could be a better show of concern than the chairman flying to the local scene of the tragedy?

On the other hand, a consensus of executives around Rawl argued that he should remain in New York."What are you going to do?" they asked. "We've already said we've done it, we're going to pay for it, and we're responsible for it." Rawl's more effective role, said these advisers, was right there at Exxon headquarters in Manhattan.

In the end, the latter view triumphed. Rawl did not go to Alaska. He left the cleanup in "capable hands" and sent a succession of lower-ranking executives to Alaska to deal with the spill. As he summarized in an interview one year after the Prince William Sound nightmare, "We had concluded that there was simply too much for me to coordinate from New York. It wouldn't have made any difference if I showed up and made a speech in the town forum. I wasn't going to spend the summer there; I had other things to do."

Rawl's failure to fly immediately to Valdez struck some as shortsighted. Said one media consultant about Rawl's communications decision, "The chairman should have been up there walking in the oil and picking up dead birds."

Where to Establish Media Central

The second dilemma that confronted Exxon was where to establish its media center. This decision started, correctly enough, with Exxon senior managers concluding that the impact of the spill was so great that news organizations should be kept informed as events unfolded. Exxon wanted to take charge of the news flow and give the public, through the news media, a credible, concerned, and wholly committed corporate response.

It decided that the best place to do this would be in Valdez, Alaska, itself. "Just about every news organization worth its salt had representatives in Valdez," said Exxon's publicity chief. "But in retrospect, we should have sent live broadcasts of news conferences to several points around the country."

The problem was that Valdez was a remote Alaskan town with limited communications operations. This complicated the ability of Exxon to disseminate information quickly. As *Oil & Gas Journal* stated later: "Exxon did not update its media relations people elsewhere in the world. It told reporters it was Valdez or nothing."

Additionally, there was a four-hour time difference between Valdez and New York. The phone lines to Valdez quickly became jammed, and even Rawl couldn't find a knowledgeable official to brief him. That left news organizations responsible for keeping the public informed cut off from Exxon information during the early part of the crisis. Because news conferences took place at unsuitable viewing hours for television networks and too late for many morning newspapers, predictable accusations of an Exxon cover-up resulted. Said one Exxon official about the decision to put the communications center in Valdez, "It didn't work."

Rapidity of Response

A cardinal rule in any crisis is: Keep ahead of the information flow- try not to let events get ahead of you. Here Exxon had a third problem.

First, it took Chairman Rawl a full week to make any public comment on the spill. When he did, it was to blame others: The U.S. Coast Guard and Alaskan officials were "holding up" his company's efforts to clean up the spill. But Rawl's words were too little, too late. The impression persisted that, in light of the delay in admitting responsibility, Exxon was not responding vigorously enough.

A full 10 days after the crisis, Exxon placed an apologetic advertisement in 166 newspapers. To some readers, the ad seemed self-serving and failed to address the many pointed questions raised about Exxon's conduct.

"It seems the company was a bit too relaxed in its capabilities," offered the president of the Public Relations Society of America. Meanwhile, one group that wasn't relaxed was the Alaska state legislature, which enacted a tax increase on oil from the North Slope fields within weeks of the Exxon spill. Congressional committees in Washington moved just as quickly to increase liability limits and potential compensation for oil-spill damage and to increase the money available through the industry-financed Offshore Oil Pollution Compensation Fund. When Exxon hesitated, its opponents seized the initiative. Concluded another public relations executive, "They lost the battle in the first 48 hours."

How High the Profile

Exxon's communications response in the face of this most challenging crisis in its history was, to put it mildly, muted.

From an operations and logistics viewpoint, Exxon did a good job. The company immediately set up animal rescue projects, launched a major cleanup effort, and agreed to pick up a substantial percentage of the cost. But it made the mistake of downplaying the crisis in public.

Exxon's public statements sometimes contradicted information from other sources. At one point, an Exxon spokesperson said that damage from the oil spill would be minimal. Others watching the industry said the damage was likely to be substantial.

Chairman Rawl, an otherwise blunt and outspoken CEO, seemed defensive and argumentative in his public comments. In one particularly disastrous personal appearance on *CBS Morning News,* Rawl glared at interviewer Kathleen Sullivan and snapped: "I can't give you details of our cleanup plan. It's thick and complicated. And I haven't had a chance to read it yet. The CEO of a major company doesn't have time to read every plan."

Exxon's attempts to calm the public also were criticized. Its ad drew fire for not expressing enough concern. It hired an outside firm to do a series of video news releases to show how the company was cleaning up the spill. At an estimated cost of more than $3 million, a 13-minute tape was shown at the corporation's annual meeting. The video, called *Progress in Alaska,* attracted intense criticism from those attending the conference as well as from the press.

USA Today called the tape "Exxon's worst move of the day." When the consultant who devised the video wrote an article in the *New York Times* defending Exxon's approach in Alaska, the Alaskan representative to the National Wildlife Federation responded with a blistering letter to the editor, noting that the consultant omitted in his article that the spill had resulted in the death of more than 15,000 sea birds and numerous otters and eagles.

Exxon then added an environmental expert to its board of directors, but only after pension funds, which control a large chunk of its stock, demanded such a response.

Dealing with the Aftermath

Finally, Exxon was forced to deal with all the implications of what its tanker had wrought in Valdez. The company became embroiled in controversy when it sent a $30,000 contribution to the Alaska Public Radio Network, which covered the crisis on a daily basis. The network, sniffing "conflict of interest," flatly turned down Exxon's attempted largesse. Subsequently, a special appropriations bill was introduced in the Alaskan legislature to forward an identical amount to Alaska Public Radio.

The accident and the company's reaction to it also had consequences for the oil industry. Plans to expand drilling into the Alaskan National Wildlife Refuge were shelved by Congress, and members called for new laws increasing federal involvement in oil spills.

The company's employees, too, felt confused, embarrassed, and betrayed. Summarizing the prevailing mood at the company, one Exxon worker said, “Whenever I travel now, I feel like I have a target painted on my chest.”

In 1996, seven years after the *Exxon Valdez* ran aground, a weary Exxon announced to the world that it was-dosing the books on its unforgettable disaster.

Total cost to Exxon: $2.5 billion.

But that wasn't all. In 1999, a full decade after the *Exxon Valdez* dumped" million gallons of oil into Prince William Sound, the Exxon Corporation-rechristened ExxonMobil-went to court in Alaska to get the courts to overturn an unusual federal restriction. The unique law barred one ship, the *Exxon Valdez,* from ever again sailing into Prince William Sound. Exxon alleged that the ship, renamed the *SeaRiver Mediterranean,* was being unfairly singled out. Specifically, the legislation barred "vessels that have spilled more than 1 million gallons of oil into the marine environment after March 22, 1989" from entering Prince William Sound.

Coincidentally, only one sailing vessel fit that description.

The Lessons

The lessons of the *Exxon Valders* Good Friday oil spill would not soon be forgotten by corporate managers. The episode, predicted one, "will become a textbook example of what not to do when an unexpected crisis thrusts a company into the limelight.”

Questions

1. What would you have recommended Chairman Rawl do upon learning of the Prince William Sound oil spill?

2. How would you have handled the media in this case?

3. What would have been your timing in terms of public relations responses in this case?

4. What would be your overall public relations strategy-aggressive, low key, or middle-of-the-road-if you were Exxon's public relations director?