Exxon's Oil Spill

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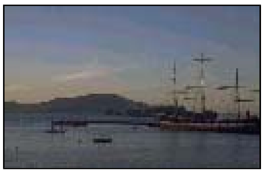

In 1989, Exxon Corp. caused one of the worst environmental disasters ever. On March 24, the Exxon *Valdez* oil tanker ran aground, spilling 250,000 barrels, an amount equal to more than 10 million gallons, of oil into Alaska's Prince William Sound. Efforts to contain the spill were slow and Exxon's response 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." [11]

Response Time
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." [12] 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. [13] 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 CEO 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.

> *"Remember the power of an image. While viewers watched birds and otters die in a river of thick, black oil, Exxon was silent."*
> *- Aviva Diamond,*
> *"Dealing with the Media in a Crisis"*

Ineffective Use of Communication Channels
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." [14] 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.

Refusal to Accept Responsibility
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. [15] 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.[16] In the ad, the company apologized for the spill but still refused to accept responsibility. Many saw this approach as insincere and inadequate.

The End Result
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. [17] 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 by Porter/Novelli several years after the accident, 54 percent of the people surveyed said they were still less likely to buy Exxon products. [18]

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