Impressions management: lessons from the oil industry

By ***Mignon D. van Halderen, Guido Berens, Mamta Bhatt, Tom J. Brown and Cees van Riel***

In the late 1990s, after over a century of extracting hydrocarbons, the petroleum industry faced a growing scientific consensus that pollution from fossil fuels is a major cause of global warming. Operationally and in terms of their global image, oil and gas companies faced a serious dilemma. Two major players, Exxon and British Petroleum, took very different approaches in their corporate communications strategies, the outcomes of which offer valuable lessons in impressions management.

Most firms try to avoid conflict whenever possible. After all, a company can survive only so long as its stakeholders will support it. If the government, your customers, your investors, or your employees don't provide you with a licence to operate, you probably won't last long. But being neutral in highly politicised and very public debates isn't always possible for a firm. When the product itself becomes controversial, as was the case of hydrocarbon extraction in an age of public concern about global warming, ducking controversy isn't an option.

In a study, *Managing impressions in the face of rising stakeholder pressures: Examining oil companies' shifting stances in the climate change debate*, we analysed two extreme but very different responses to this communications challenge. Exxon fought long and hard against the growing consensus around global warming. British Petroleum, at the same time, tried to cultivate a greener and more emotional image. Yet as we found after analysing archival materials, media articles, and corporate texts from 1997 to 2009, each company found its own way to play a difficult hand badly.

Executives, investors, and society all paid dearly for these errors, but for us as management scholars, the two cases offered an interesting opportunity. Most cases about impression management focus on positive scenarios that recount how companies handled their reputation management well. However, we believed that reaching a better understanding of how corporate communications strategies change under extreme pressure may be more instructive.

Over time, both companies' impression management passed through four distinct stages. Each company passed through an initial stage, in which it laid out its position; then, a stage in which it tried to make its view clearer; a third stage in which it tried to repair holes in its public image; and a final adjustment that aligned the company's official public image with its operational reality.

1. Taking a stance

In 1997, both companies enjoyed strong public reputations and were considered major players in their industry, but the growing global consensus on the seriousness of global warming began to change that.

To fight back, Exxon took out advertisements in *The New York Times* in 2000 that asserted the economic risks of sudden action on climate change and took a sceptical view of global warming as a man-made phenomenon. Although the company actually did have several environmentally friendly initiatives going on at the time, including projects that promoted cogeneration, energy saving, and the reduction of three air pollutants by 30 per cent, it chose not to emphasise that side of its portfolio.

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Impressions management: lessons from the oil industry *(continued)*

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British Petroleum, on the other hand, was the first oil company to state that the global warming problem was one of its major responsibilities. The CEO, Lord Browne, told students at Stanford University in 1997 that the company was tackling climate change because 'it is the right thing to do.' It also quit the industry-friendly Global Climate Coalition and set a sales goal to build its solar energy business to US$1 billion within 10 years.

Most of all, in 2000, British Petroleum began a US$200 million campaign to position itself as an environmentally forward-thinking company. In the course of the campaign the company shortened its name to BP, unveiled a bright green, white and yellow sunburst logo, and launched an advertising campaign, Beyond Petroleum, to focus the public on its non-fossil fuel projects. However, the substantive side was much less active: approximately two per cent of the company's capital investments were made in natural gas, electrical power, and renewables.

In the beginning, stakeholder pressures were low at both companies. In 1998, Exxon received its first shareholder resolution demanding the company make an effort to prevent global warming, but the proposal won only four per cent of the shareholders' votes. BP did earn criticism, from Greenpeace, the radical environmental NGO, which described the company's stance as a 'triumph of style over substance' and claimed that in 1999 the company had spent more on rebranding its logo than on alternative energy.

2. Clarifying the position

Between 2001 and 2004, the environmentalists' critique grew sharper. For example, Greenpeace and several other NGOs started a boycott against Esso, Exxon's European brand, until the company changed its policies and stopped funding global climate change sceptics. BP's stakeholders also began to perceive there was some distance between the company's rhetoric and its reality. In particular, Greenpeace and others criticised Lord Browne's announcement that BP intended to explore for oil in the Arctic National Wildlife Refuge, Alaska's last remaining pristine wilderness. Nor did several accidents in its Alaska operations help its reputation for clean energy.

Both companies tried to reframe the debate in this stage. Exxon spokespeople began to acknowledge the "potential" for human–induced climate change and defended its donations to climate change sceptics as a way to "broaden the debate." The company also announced a plan to donate US$100 million to the Stanford climate change project, and made ongoing investments in energy efficiency, emission reduction, and innovation.

At the same time, BP back-pedaled. Spokespeople explained that their "Beyond Petroleum" slogan should not be taken as a 'literal statement' and that they were not leaving the petroleum industry. Browne said it meant instead that the company was 'going beyond the conventional way of dealing with petroleum.' Substantively, the company reached its greenhouse gas emissions reduction target eight years ahead of schedule and allocated three per cent of its capital investments to gas, power and renewables.

However, to an extent the companies also stuck by their initial positions, with Exxon CEO Lee Raymond arguing that renewable investments were 'a complete waste of money,' while BP spokespeople insisted that the company 'wanted to play its part in reducing harmful emissions.'

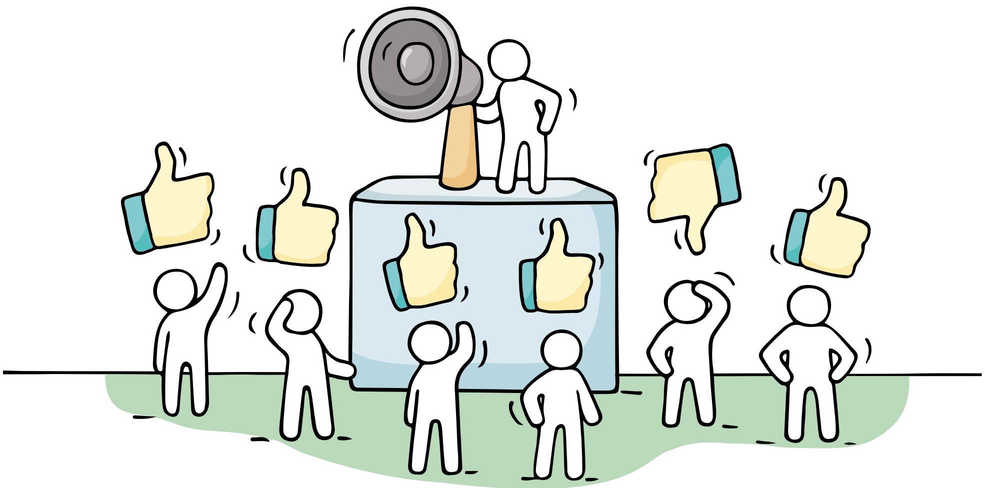
3. Repairing reputation

In its third stage, 2005-2006, the companies faced rising pressure from shareholders. An Exxon shareholder resolution demanding that the company be more transparent about its degree of compliance with the Kyoto Accords won more than 25 per cent support. At the same time, BP also faced more scrutiny and criticism after an explosion at a BP refinery in Texas killed 15 people and later that year, a BP pipeline in Alaska suffered a leak.

In response, Exxon's new CEO, Rex Tillerson, struck a more accommodating tone and the company raised its level of investment in new cleaner, energy saving technologies. BP, on the other hand, apologised, announced plans to invest three per cent of its capital investments in gas, power, and renewables and US$8 billion over the next 10 years in alternative energy, including natural gas.

4. Returning to square one

Yet in some respects, the companies still did not stray too far from their initial stance. Tillerson claimed there was still 'significant uncertainty' around



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global warming, while BP continued to describe renewables as a 'real and viable business' and claimed it was investing heavily in alternative energy.

Finally, in 2007, in the face of rising pressure, each company modified its stance. Exxon acknowledged that 'the risk is serious and action should be taken' with respect to climate change, and invested US$600 million to develop algae biofuels. BP, in the meantime, under pressure from shareholders to earn more on hydrocarbons and lose less on renewables, argued that focusing on oil and gas and disinvesting in some of its renewable projects 'was a perfectly reasonable way of proceeding.'

These cases suggest that even when companies sustain this level of public pressure, their strategy tends to change only gradually. Companies often suffer from a great deal of path dependency: once a company has been defending a particular view of itself, executives feel compelled to stick to this view, or (if that is no longer tenable) to try to explain away the inconsistency between current and past actions and positions.

A corporate reputation is often an uneasy combination of symbol and substance, but in the end, stakeholder pressure tends to force more congruence between them. Symbolic and substantive actions tend to harmonise. With so much societal scrutiny, it becomes increasingly difficult to say one thing but do another.

How might companies facing this kind of difficult problem handle it better? Three ideas come to mind:

- Don't get too emotionally invested in a particular interpretation of the controversy. While some desire to "save face" is understandable, having the courage to admit that you were wrong is sometimes desirable.

- Face difficult conversations early, particularly with advocacy groups. If they feel ignored or left out of the discussion, they might be more likely to engage in hostile actions.

- Don't cultivate a reputation too far removed from the realities of your business. People forgive mistakes more readily than hypocrisy. ■

This article draws its inspiration from the paper *Managing impressions in the face of rising stakeholder pressures: Examining oil companies' shifting stances in the climate change debate* written by Mignon D. van Halderen, Mamta Bhatt, Guido A.J.M. Berens, Tom J. Brown and Cees B.M. van Riel. *Journal of Business Ethics (2016) 133: 567-582*. http://dx.doi.org/10.1007/s10551-014-2400-8

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