

When “Best Effort” Reactive Response Doesn’t Cut It

By Stacy Gardner
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As anyone who monitors news sources knows, British Petroleum (BP) has taken a beating in the media since the April 20th explosion that led to eleven deaths and hundreds of millions of gallons of oil spilling into the Gulf of Mexico. While the latest effort to cap the well appears effective, the perception associated with BP's reactive “by the seat of our pants” response effort failed to restore feelings of goodwill and faith, which will most likely lead to a continuation of boycotts, lawsuits and market-share loss.

Even if BP survives this catastrophe long-term, it will likely take decades before they fully recover from the black mark that now stains their brand and reputation. This article analyzes how BP's reliance on inconsistently-applied preventative measures and apparent disregard for effective planning for a high-impact, low (but not improbable) likelihood event increased the scale of this disaster. This article also discusses ways organizations can identify their own risks and proactively respond to prevent similar fallout should a catastrophic event occur.

Upon analysis, some people may describe the 2010 Gulf oil spill as a “black swan” event (a term coined by Nassim Nicholas Taleb), which is an event deemed high impact but so improbable that it is difficult to comprehend, plan for or justify an investment in appropriate response techniques. Some experts argue that the triggering event (rig explosion) was preventable and is thus the main failure for BP; however, given the fact that the threats are innumerable and the worst-case scenario relatively quantifiable, BP should have invested in responsive planning as well. BP's lack of a coordinated, regularly-tested and updated strategy and plan, with required equipment/resources on-hand and available to respond once a deep-water leak did occur, has turned what should have been a “moderate” operational/health/safety issue into a major environmental and reputational catastrophe.

There were a number of fail-safes in place that failed (or may have been ignored or poorly implemented) in tandem, making the explosion itself a black swan event. While these types of events are tragic, it is easier to exonerate those responsible when there is proof of effort made. However, BP's apparent disregard for a viable strategy to address a deep-water leaking well is a completely different issue.

The fail-safes in place to monitor rig safety were all focused on specific causes and threats to

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operations - they were designed to identify when certain criteria were reached indicating a “danger zone”. While these features are designed to prevent a catastrophic event, if one occurs anyway, they do little (if anything) to mitigate the impact at that point. While the chances of all fail-safes failing simultaneously appeared improbable, BP either failed to analyze the likelihood that at least one improbable risk would lead to a catastrophic event, such as an uncontrollable oil spill, or they failed to plan as appropriate. Given the impacts that BP and the Gulf Coast realized in this case, BP should have already had in place a viable and frequently tested plan that addressed the IMPACT of such an event, rather than solely rely on methods to mitigate the innumerable potential CAUSES of the event (via the fail-safes).

CNN recently posted an interview with a former U.S. Interior Department secretary that said “Interior Department regulators designing disaster contingency plans didn't prepare for a calamity the size of the current Gulf of Mexico oil spill crisis because of a lack of precedent...Dirk Kempthorne told a joint congressional subcommittee that previous environmental impact statements, assessments and oil spill response plans were ‘based on the probability that a significant oil spill was small.’” He went on to say, “When the 2007 and 2012 five-year plan was written, there had not been a major oil spill in 40 years. One very real consequence of the Deepwater Horizon accident is that these historical assumptions will be forever changed.” He added that the repercussions from this incident “will forever change the offshore energy industry. **Never again will decision-makers not include planning for events that might be low-probability events, but which, in the unlikely event they occurred, would be catastrophic**.”

It's the last sentence in this quote that is most significant and telling.

When it comes down to it, organizations can try to plan for every threat or risk imaginable, but this type of planning requires significant time, resources, and effort, and still leaves organizations unable to provide a guarantee that all threats have been addressed and impacts lessened. Eventually, a “black swan” event (or other lesser but still impactful event) will come along that could make all these efforts for naught.

Instead of focusing only on preventing such events, organizations striving for balanced preparedness must assume an event will eventually occur and lead to loss, and thus invest appropriate resources to enable a PROACTIVE response focused on addressing worst-case events. While BP, the government and the industry as a whole may have deemed a deep-water oil spill unlikely, the challenges associated with responding quickly and appropriately, as well as the significant financial, reputation and environmental impacts potentially realized, should have self-mandated that BP prepare their organization for such an event. BP should have performed

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an appropriate assessment that accurately and completely evaluated these challenges and developed proven strategies to assuage these problems, regardless of likelihood. Instead, their 528-page plan was embarrassingly outdated, optimistic and ineffective, which led to the monumental disaster BP - and the region - now faces.

Organizations hoping to avoid a similar catastrophic fallout from an incident should analyze the impacts a loss of each of their critical resources (facility, personnel, equipment, technology, vendors) could have on the organization, as well as determine any “cascading impacts” that could occur from a failure of operations.

When trying to understand and adequately protect organizational core products and services - both from a traditional business continuity perspective, as well as from the perspective of a black swan event - a company should look at the resources and methods/processes used to produce and deliver these products/services, and then ask themselves the following questions:

1. What are the catalysts (threats or, more tellingly, procedural/resource losses) that could result in a catastrophic outcome?
2. What is the worst-case scenario, both for the business and society as a whole?
3. What is the likelihood of occurrence?
4. Does the organization have any obligations to adequately prepare and respond for such an incident?
5. Regardless of obligations, what is the “right” thing to do?
6. Has the organization realistically done everything possible to prevent events from cascading into unacceptable impacts?
7. What procedures and resources would be necessary to adequately mitigate these unacceptable impacts?

While traditional business continuity analysis typically leads to the development of response, recovery and communication plans and procedures, black swan events require additional analysis and strategy development beyond these traditional procedures and scope. Specifically, organizations should develop both preventative and reactive controls designed to manage risk and mitigate impacts. These controls should acknowledge the worst-case situation and actively work to address it, even when such measures require potentially

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“cost-ineffective” investments or focus more on the “right” thing to do as opposed to the “smart” thing to do (yes, it's not ALWAYS about the bottom line, and making it so leads to unacceptable impacts!).

Management must assure the implementation and assessment of preventative controls in line with performance objectives, with management ensuring that employees follow procedures and maintain a “mindset for safety”. The organization should prioritize a company culture that embraces safety and minimizes inappropriate risk-taking behavior where a possible outcome or fallout results in unacceptable impacts to stakeholders and/or the general public.

Reactive controls must include the plans, processes and procedures by site, resource or process that would be necessary to respond to an unpredictable event. These controls must address crisis management, crisis communications and response procedures, identifying and pre-sourcing resources necessary to minimize impact. In addition, given the potential fallout from black swan events, organizations must incorporate and test coordination with the public sector.

While preventative actions are still necessary, organizations must:

1. Assume the question is “when”, not “if”, a disruptive event will occur;
2. Understand the impacts of disruptive events that result in massive failure/loss of critical resources; and
3. Develop plans that address “worst case scenario” and are flexible enough to be scaled back for less severe events - be sure that response strategies fully consider the difficulties associated with implementation (such as stopping an oil leak 5,000-feet below sea level) and address as appropriate.

Although developing response strategies for catastrophic events may require substantial investment, it often costs far less than the financial losses, damage to reputation and operational issues that organizations might experience should such an event occur. Ultimately, organizations need to fully analyze and truthfully consider the intangible (but very real) non-financial impacts, as opposed to just the “financial bottom line” and plan as appropriate to address any risks where the cost of occurrence outweighs the cost of mitigating impacts.

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