

## BP's Board Has Questions to Answer, Too

Ben Heineman calls for an independent inquiry into why BP's board didn't apply lessons learned from the energy giant's previous safety problems



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By **Ben W. Heineman Jr.**

Lost in the headlines about Tony Hayward's departure from the top job at BP ([BP](#)) are basic questions about BP's board of directors: What did the board know and when did the board know it?

These questions raise even more fundamental (and enduring) questions about corporate governance. How can boards effectively hold management accountable for internal and critical company processes? In the case of BP, the question is whether the board properly oversaw management's efforts to create a culture of safety and to drive key safety-management policies and procedures deep into the company's culture.

Hayward's tenure as chief executive officer is ending for obvious reasons. He mishandled events in the Gulf of Mexico after the explosion at Deepwater Horizon and committed gaffes that inflamed U.S. public opinion. If BP is to regain its business footing in the U.S., it needs a new public face.

End of story? Hardly. Of equal or greater importance is what happened at BP before the catastrophic Gulf accident.

What management failures occurred in the months before the explosion on the rig? We don't yet have a comprehensive, authoritative account. There have been detailed news reports saying that time and cost pressures led BP personnel who were directly responsible for the rig to cut corners and ignore warnings, which may have been an important cause of the disaster.

## **BEHIND TONY HAYWARD'S REMOVAL**

More important, if there were serious on-the-rig safety failures, were they the result of BP's failure to learn the lessons of its past safety problems—notably the Texas City, Tex., explosion in 2005 and subsequent equipment failures in Alaska? After those events, the company was excoriated in its own reports and in official ones about systemic failures in BP's safety culture and safety management.

These reports raised fundamental, high-priority issues of the sort boards must address. Tony Hayward was named CEO in large part to deal with them. If he failed to do this—and the catastrophic events in the Gulf certainly suggest that this is the case—then the board had another set of reasons for removing him. (To discuss publicly BP's deep, systemic failures prior to the explosion would be to indict not just Hayward but the company and the board itself.)

As with the explosion's immediate cause, it is not yet clear whether, and to what degree, BP learned systemic lessons and implemented the required actions from its past mistakes. Following the Texas City explosion and the critical reports that ensued, the directors no doubt conducted reviews of people, systems, and processes. The board likely engaged in evaluating management's risk identification and risk mitigation as part of a continuing effort to assess Hayward's and BP's efforts to respond to the company's past failures.

## **A SYSTEMIC FAILURE ON SAFETY ISSUES**

To what effect? If, as appears likely, the Deepwater Horizon explosion was caused not just by safety failures on the rig in the months just before the accident but also by continuing systemic failures of safety culture and safety management, then the board of directors failed to understand that the Hayward regime had not addressed BP's most serious safety issues at operational levels deep in the company—notwithstanding chart presentations at board meetings.

That is why the board itself must assess how Tony Hayward and top BP business leaders failed on systemic issues of safety culture and safety management. It must understand why its own review processes—enhanced after earlier accidents—did not adequately discern the continuing systemic issues that appear to have led to one of the worst corporate disasters in history.

Fine, then: Hold Tony Hayward accountable for post-accident gaffes and crisis-management failures. Still, profound questions about causes—immediate and systemic—and the board's oversight role must be answered.

## **NEEDED: AN INDEPENDENT INQUIRY**

Only then will come the necessary understanding of the types of failures that occurred at different levels in the company, from the board to the CEO to top business leaders and on to division leaders and those responsible for day-to-day operations on the rig. Only then can future failures be prevented. Only then can BP avoid having history repeat itself—again.

The board owes its shareholders and other stakeholders an independent inquiry with no fear or favor, even if such a report ends up being critical of the board, as well as different levels of management. If the company does not call for an independent inquiry, a governmental investigation needs to illuminate the ultimate question of board and management responsibility and accountability.

For now, because it has not received much attention during the crisis, we are left with the nagging but central governance question of what the BP board did or didn't do. The directors' agenda must focus on how boards can effectively hold management accountable for the complex and critical operational safety issues that pose such a threat to companies and their various stakeholders.

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