Systems of blame: Stakeholder theory and the ethics of responsibility in the Exxon Valdez crisis

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The aftermath of any major crisis can hardly help but produce either heroes or villains for the scrutiny of the public eye; in the case of the 1989 Valdez spill, it was mostly villains that emerged, in the shape of both the Exxon Corporation and the Valdez captain, Joseph Hazelwood. While Hazelwood himself issued an apology for the spill in a 2009 interview, perhaps the most striking part of his speech could be interpreted as a denial of responsibility. In regard to his part in the outcome, he writes, “I was able to give a personal name for people who, for lack of a better term, needed to vent their spleens” (as cited in Bushnell & Jones 2009, as cited in KTUU.com, 2009). Hazelwood’s comments allude to the larger questions of how and why blame is assigned after a tragedy. On this issue, Miraglia (2002) writes that in “a man-made disaster, those whose lives are impacted feel a need to assign blame as part of an effort to regain a sense of control over their own lives,” and in the case of the Valdez oil spill, “there is plenty of blame to go around” (p. 80). While Miraglia’s assertion indicates why blame is assigned, many reactions to the Exxon crisis neglect the greater ethos of how blame should be distributed after a crisis of this magnitude.
While the urge to place blame on one single entity may be the prevailing reaction of most of the public, this sort of thinking neglects the many complex interactions of the system in crisis and may ultimately be deleterious to future improvements and planning. On this point, Sriraj and Khisty (1999) state that,

There are two prevailing views and opinions about these crisis situations. The first takes a “simple systems” point of view, in which individuals are held responsible for the disasters. The second considers disasters as stemming from the complex interaction between the various parts of the organization and its environment. (Sriraj & Khisty, 1999, p. 122)

While Sriraj and Khisty (1999) assert that this first approach is currently more prevalent, it is the second—that which considers interactions between all parts of the system—which needs to be adopted worldwide (p. 122). The Valdez incident presents an interesting case study for this type of dilemma, since it has long been the established critical consensus that the tragedy stemmed from a breakdown of communication at various levels, rather than one isolated error (Bowen & Power, 1993; Harrald, Marcus, & Wallace, 1990; Zhang, Zhou, & Nunamaker Jr, 2002).

In the case of the Exxon Valdez, the mass communication failure precipitating the crisis, as well as the emergence of unexpected stakeholders in the wake of the tragedy exposed an entire system in disarray. What was thought to be a “perfect system” (Bowen & Power, 1993, p. 100) was in fact broken in several places, and what was thought to be a relatively small system, consisting only of Exxon and its stockholders, was discovered to have a massive effect on the entire planet. While corporations must maintain corporate and financial responsibility for crises, when a disaster occurs within a broken system, the fault rests primarily with the system itself rather than any single actor; in these cases, it is the responsibility of all stakeholders to make
adjustments and bar against further tragedy. Using the framework of stakeholder theory, this paper will assess the ethics of placing blame within a fractured system and will position crisis as a means of revealing and reformatting a system already in place.

**Stakeholder theory and responsibility**

Stakeholder theory was established in part so that companies could begin to look beyond their basic stockholders to realize that there were other groups or demographics whose lives were affected by their activities and whose needs they must therefore consider. Freeman’s seminal text on stakeholder theory, *Strategic management: A stakeholder approach*, posits that all groups who can affect or may be affected by the direction of the firm must be considered in the strategic management process (Freeman, 1984). By taking all potential stakeholders into consideration, Freeman believes the “ensuing strategic management model will be sensitive to future change, and able to turn new “external changes” into internal changes” (Freeman, 1984, p. ??).

Additionally, a clear knowledge of stakeholder needs will aid a company in transcending the focus of profitability and in creating social capital towards any future ethical issues that may arise (Phillips, cited in Ulmer & Sellnow, 2000, p. 144). Advances in globalization have increased the need for individuals and companies to see themselves as cogs within a larger picture; tragedies, such as that of the *Valdez*, are a significant reminder that a corporation and its stockholders are not an island apart from the rest of the world. The *Valdez* disaster made such a lasting impact in part because the majority of those affected were not Exxon stockholders themselves (Miraglia, 2002).

In the case of the Exxon *Valdez*, the Exxon Corporation had not identified many of its stakeholders and had therefore not bothered to establish positive relationships with these. Ulmer (2001) asserts that, in a crisis situation, established pre-crisis relationships with stakeholders are
necessary; negative relations or neglect of stakeholders may cause a withdrawal of support during crises (Heath, cited in Ulmer, 2001, p. 609) It is hardly surprising that Exxon would not have recognized many of its potential stakeholders prior to the disaster; much of the crisis can be attributed to poor planning and response, not only by Exxon itself but by the Coast Guard and Alyeska as well (Bowen & Power, 1993). Harrald, Marcus and Wallace refer to events such as oil spills as “low probability, high consequence” (Harrald et al., 1990, p. 16); because the chances are so low of such a disaster occurring, the time and resources are not spent in preparing for crisis contingencies.

Zhang, Zhou, and Nunamaker Jr. maintain that effective disaster relief requires a centralized knowledge base (Zhang et al., 2002, p 375), but it was the Valdez crisis itself that clarified the system as a whole for Exxon. A disaster no one thought would ever happen revealed hidden stakeholders for which no one had previously thought to take responsibility. While this state of affairs does indicate poor planning and constrained vision on the part of the Exxon Corporation, a lack of stakeholder knowledge is not atypical of many corporations (Sriraj & Khisty, 1999; Ulmer, 2001). Ulmer maintains that stakeholder theory is particularly useful in crisis situations, because of its emphasis on planning and critical communications (Ulmer, 2001, p. 593). Additionally, since a corporation’s responsibility is at its apex during a crisis, the whole extent of a system is revealed and the company is able to fully see the extent of stakeholder groups to which they have an obligation.

However, any obligation must necessarily be a two-way street. The main focal point of strategic management is on the responsibilities of the corporation, but a relationship must involve reciprocity. If Exxon has a social responsibility for its stakeholders, then these stakeholders also have a responsibility for Exxon. This is not to say, for example, that the peoples of Prince
William Sound are required to help Exxon make a profit. The stakeholder relationship is ethical, rather than financial in nature (Freeman, 1984). Rather, just as Exxon was remiss in identifying its stakeholder groups before the Valdez disaster, these groups also needed to realize that they were stakeholders in Exxon. The general public is a great force of social change, and if a company is not fulfilling its ethical responsibilities, it needs to be made known. The stakeholder responsibility is not as consuming as that of the corporation, but it is still critical. While the corporation in question must consider and respond to the values of its stakeholder groups, the stakeholders themselves must communicate their values and opinions back to the corporation. Though the most efficient companies may take it upon themselves to pursue a thorough knowledge of stakeholder needs, stakeholder theory itself rests upon the assumption that a corporation’s interests go well beyond its stockholders (Freeman, 1984). Therefore, it is not the sole responsibility of a company to optimize the system in which it exists; rather, all stakeholders play a part in how the system is organized.

**Stakeholders and the Exxon Valdez**

One of the uncertainties raised by stakeholder theory is the vague definition of which groups might be called a stakeholder at any given time. Phillips (1997) makes the argument that the stakeholder relationship relies on the underlying principle of fairness, which he defines as whenever “persons or groups of persons voluntarily accept the benefits of a mutually beneficial scheme of co-operation requiring sacrifice or contribution on the parts of the participants” (as cited in Ulmer, 2000, p. 145). On this basis, one might question the extent to which Exxon’s stakeholders groups might exist outside of their explicit knowledge. However, oil companies such as Exxon must inherently establish a mutually beneficial relationship with their customers, unless society as a whole decides en masse to give up using oil altogether. In these cases, the
criteria for the stakeholder relationship is met, even if not made explicit by either party. In fact, even those not using oil products could be considered Exxon stakeholders, because in cases such as the Valdez spill, Exxon’s activities affect the environment in which we all live.

Ulmer and Sellnow (2000) go so far as to distinguish normative stakeholders from crisis stakeholders—that is, stakeholders whose day-to-day activities would not be affected by the company but would become involved in the event of a crisis (p. 145). While the Exxon case study is certainly an example of how unexpected stakeholders can emerge after a disaster, it is perhaps a problematic view to think that after a crisis has passed these stakeholders will once again fade into the background. Ulmer and Sellnow (2000) advocate that post-crisis communication must first consider those stakeholders most impacted, which will often include these expanded stakeholders (p. 146).

While this view is perfectly acceptable in terms of crisis response, it neglects the proper planning and preparatory measure that contributed largely to the Valdez disaster in the first place. In order to initiate proper planning and prevention measures, it is vital that these expanded stakeholders not fade into the background. Maintaining the centralized knowledge base vital to efficient knowledge management (Zhang et al., 2002) requires that all stakeholders be accounted for to keep information in its proper context. While crisis situations are rare, it is those groups only affected by crisis who are most likely to enforce preventative measures on the organization. The general public, by and large indifferent to Exxon’s activities before Valdez, are best positioned to maintain necessary vigilance and upkeep of preventative measures (Kelson & Brown, 1991, p. 18). While disasters are thankfully not always in progress, their potential is a consistent presence which corporations must be aware of. Therefore, assuming disasters such as the Valdez must be avoided at all cost, those stakeholders affected in a crisis become more
important during normative operation rather than less. Ulmer’s contention that pre-crisis stakeholder relationships are paramount during a disaster situation (Ulmer, 2001) suggests that additional stakeholders serve a necessary function in a company’s growth. In order to improve ethically as a company and to help bar the system against future crises, these stakeholders must be considered not temporarily created but permanently revealed.

In fact, the natural variety of Exxon’s stakeholders is indicated by the numerous ways in which the public were angered by the tragedy. Williams (1992) points out that some were concerned for the environment, some with the economic loss, and some with the allegations of drunkenness levelled towards Captain Hazelwood (Williams & Treadaway, 1992, p. 56). The diversity of these concerns clarifies the necessity of these additional stakeholders to the ethical development of the Exxon Corporation. Additionally, it reinforces the fact that the system in which the accident occurred was fractured in several different ways rather than one only.

**Blame and the Valdez crisis**

Aside from the initial anger levelled at Exxon for various aspects of the crisis, there was much concern that Exxon did not take adequate responsibility for the event itself (Tyler, 1997, p. 54). Though the public statement issued by Exxon the day of the accident clearly expressed regret and assumed cleanup responsibilities, Williams and Treadaway (1992) points out that even today the corporation is perceived as not taking adequate responsibility for their role in the accident. Tyler (1997) argues that a tension exists between the company’s “wish to perceive themselves and to be perceived by others as competent and moral human beings, and the company’s need to protect itself from legal liability” (Tyler, 1997, p. 52); the result of this tension being a thoroughly ambiguous apology that leaves the public unsatisfied. Williams and Treadaway (1992) additionally argue that Exxon’s attempts to call the tragedy an accident and to
foist the responsibility onto Captain Hazelwood and Gregory Cousins (the Exxon third mate) were seen as an avoidance of their role in the disaster both ethically and financially.

However, aside from the potential negative consequences of an effusive apology (Tyler, 1997), there is an additional explanation for Exxon’s hesitance to accept full responsibility: though the oil industry is legally responsible for spill prevention and response (Kelson & Brown, 1991), accepting the financial liabilities of cleanup should not mean accepting the blame for the entire disaster. While it is clear in hindsight that Exxon made significant errors in their management—Tyler references Captain Hazelwood’s known alcoholism, 11-hour workdays, and Exxon’s resistance to paying for additional safety measures (Tyler, 1997)—Bowen and Power (1993) caution against employing the “retrospective fallacy” (p. 97). Though it may seem like that which is clear in hindsight was necessarily also clear in foresight, Bowen stresses that the decisions made by Exxon’s managers were “laden with substantial factual and moral uncertainty” (Bowen & Power, 1993, p. 97). Any one of these errors would have been caught out and corrected by an ideal system; however, it was the convergence of these errors that lead to the disaster.

Additionally, Exxon was not the only corporate body to make tragic errors at the time of the spill. It was revealed in the aftermath that Exxon had previously requested and had been denied better cleanup equipment from Alyeska (Davidson, 1990; Keeble, 1991; as cited in Bowen & Power, 1993. Furthermore, Alyeska’s containment barge was significantly delayed in arriving on site (Kelson & Brown, 1991), and the U.S. Coast Guard had not adequately prepared for a gap in the established system (Bowen & Power, 1993). While it would be ludicrous to suggest that Exxon be absolved from corporate responsibility, considering the convergence of
errors from many different corporate bodies, no significant amount of blame for the disaster should be allowed to fall on any one body.

The other significant factor contributing to the accident is the lack of acknowledged stakeholders who emerged in the wake of the disaster. While any suggestion that the public had a role to play in the disaster would certainly be unreasonable, the public certainly plays an instrumental role in avoiding future tragedy. Also, their involvement was instrumental in revealing flaws in the system and working towards permanent improvements. Firstly, Ulmer’s suggestion that an important part of crisis planning “entails identifying stakeholders prior to a crisis and cultivating positive relationships with these groups” (Ulmer, 2001) necessitates full communication with all stakeholders, even those who would normally remain inconsequential except in the event of a crisis. Secondly, Kelson and Brown argue that though “engineers, government scientists, and other technicians can contribute to the public’s understanding of the risk…only the public can decide whether everything that should be done has been done” (Kelson & Brown, 1991, p. 18). Exxon remains at the nexus of the tragedy, but it is primarily the entire system that should fall under scrutiny.

Siraj and Khisty suggest that when the “simple systems” approach, that of assigning the responsibility for an event to one body, is used, the situation is fixed only temporarily and organizations are condemned to repeat past mistakes (Sriraj & Khisty, 1999, p. 122). Though, in certain ways, a simple systems approach was employed in placing undue blame on Captain Hazelwood (Williams & Treadaway, 1992), the Valdez crisis did ultimately accomplish the goals of more complex systems thinking: the achievement of a much-needed overhaul within the oil industry. The emergence of new stakeholders amongst the general public created the much-needed public dialogue that “permitted the Alyeska pipeline to be built, and that later established,
revised, and monitored safety precautions and cleanup preparedness” (Bowen & Power, 1993, p. 97).

Birkland and Lawrence (2002) contend that, as a whole, “focusing events” (p. 17) can be instrumental in spurring policy change. These events are necessary in highlighting inadequacies and inspiring the drive needed to make concrete change happen. Birkland and Lawrence (2002) points out that since the enacting of the 1990 Oil Pollution Act, there has been no spill with even close to the amount of consequence as the Valdez. Furthermore, the argument is put forward that the enacting of the Oil Pollution Act was equal to the importance of the spill itself, and that the tragedy was necessary to create the conditions under which the improvements could be proposed (Birkland & Lawrence, 2002, p. 17). While it would be an overstep to say that the spill was necessary, a fractured system will inevitably have consequences. In fact, it was the sheer preventability of the spill in hindsight (Birkland & Lawrence, 2002, p. 18), which highlighted the many flaws of the current oil industry and forced productive changes to finally be made. Though the Valdez spill was certainly disastrous, it inadvertently provided the public with the tools to avert future tragedy.

Conclusions

The immediately apparent negative impact caused by the Exxon Valdez oil spill has, if not been justified, at least been mitigated by the positive after-effects that emerged from the tragedy. These include among others: improvements in industry policy, enhanced safety measures and further environmental awareness. Most of all, the oil industry were exposed first-hand to the disastrous potential of their many communication gaps and the public, recognizing a vital role as an Exxon stakeholder, was able to initiate and maintain positive, beneficial change.
While blame was bandied about readily after the crisis, most important was the additional recognition of responsibility and the broader view of the system achieved through tragedy. By recognizing the overarching inadequacies of the system, a bad situation was put to good use; in contrast, placing the blame on one entity might have swept the crisis under the proverbial rug. While the Valdez disaster flirted briefly with a simple systems approach, in blaming Captain Hazelwood or the Exxon Corporation, complexity prevailed with the achievement of significant policy change. In the words of Hazelwood himself, “The true story is out there for anybody who wants to look at the facts, but that's not the sexy story and that's not the easy story” (as cited in Bushnell and Jones, 2009, as cited in KTUU.com, 2009). While blame might be the easy route, taking responsibility is harder, but when done properly, can improve the system for all stakeholders concerned.
References


