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ACTIONS SPEAK LOUDER THAN WORDS

A number of years ago BP was regularly voted the most respected company in the UK and one of the most respected companies in the world. It has lost some of that respect because of incidents like the explosion at its Texas refinery that killed a number of workers and the oil spill from a broken pipeline at its Prudhoe Bay, Alaskan oil field. These incidents mean we now know that BP did not spend enough money on maintenance. It is therefore no surprise that the reputation of the company has been damaged and that new management had to be brought in to repair the damage that was done.

The new chief executive, Tony Hayward, held his first strategy presentation on February 27th and I was wondering what he was going to say that would restore some of that lost respect.



Tony Hayward

An early part of his presentation was an overview of BP and one of the first things he said in that overview was:

“Safe and reliable operations remain our number one priority.”

What was a surprise to me was the way that he said it. He said it in a way that made me wonder whether he really meant it. He appeared as if he was reading a prepared script rather than talking from the heart about his number one priority. Now maybe I am being too cynical but I have seen too many executives go through the motions over the years. In this situation however you do not have to take my word for it you can see a broadcast of the strategy presentation on the BP website and judge for yourself.

After Tony Hayward spoke, Andy Inglis the head of exploration and production was the next to speak. He said the following:

“Our top priority continues to be the safety and reliability of our operations”

If I thought Tony Hayward said it in a way that did not convince me, well Andy Inglis was even worse. (I would again say that you can judge this for yourself by looking at

the webcast). It really appeared to me that they had been told to talk about safety but what they failed to do was say it in a way that convinced me.

The last thing I would want to do is say that BP as a company does not care about safety. In fact they have substantially increased their capital spending and this suggests to me that if you judge a company by its actions well then they are taking safety seriously.

Tony Hayward did give statistics on “Recordable Injury Frequency Rate” and this supports the idea that the BP safety record is getting better.

I believe that safety is one of those things that should be a given. I rarely hear any other company talk about it in their strategy presentations because I believe that every investor expects it to happen automatically. I do not need Michael O’Leary to tell me safety is a priority at Ryanair because it is just so obvious that it should be. In the same way I do not want Tony Hayward to talk about it because I just want to take it for granted that it is happening.

I do not want to hear about a problem in two years time that should have been avoided due to better equipment or better procedures because I want to believe that every line manager in BP automatically knows that safety is a given and expenditure will be authorised.

When I listen to a strategy presentation I expect to hear about things that are not a given. I want to hear about new locations for exploration or new refineries or plans for the use of cash. In other words I want to hear about things where there isn’t necessarily an obvious answer.

The vast majority of the presentation did relate to issues like exploration. If you did have time to look at the whole presentation you would see that safety was only one small part of the overall event but the way that safety was talked about left doubts in my mind about the type of people in charge of BP.

I have generally been impressed by executives that are straight talkers. In a number of my opinion pieces I have talked about executives that have impressed me. I have talked about Patrick Lam at ASM Pacific and Paul Coghlan at Linear Technology as well as Michael O’Leary and if I mention Warren Buffett one more time I’m sure readers will be driven demented!

I have even talked about how unimpressed I have been with management at Asahi Chemical because at the end of the day a lot of the time I believe that I am investing in people.

Will Tony Hayward join the ranks of the executives that I find impressive? Only time will tell but he did not get off to a great start and ultimately I will judge him more by his actions rather than his words.

Peter Sutherland is chairman of BP but he did not speak at the strategy presentation. When I worked in AIB he was chairman. I never had the opportunity to talk to him but what I did notice was his willingness to do something that no other chairman or senior executive did in my ten years at the group and that was eat in the staff canteen with his secretary. All other senior executives ate in the executive dining rooms! Little things like that say a lot about the person.

Peter Sutherland was chairman when these accidents happened at BP. As far as I know none of the reports into safety issues at BP have suggested that he in any way allowed a lax safety environment.

I presume he was involved in the decision to appoint Tony Hayward so for the time being I will also give Peter Sutherland the benefit of the doubt and hope that in a few years time BP will be back as one of the most respected companies in the world.