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Corporate Disclosures Reaction to an Incident
-the case of BP-

Minh Ngoc Truong

Abstract

Communicating with stakeholders is an important task for corporations to receive the stakeholders' support. This importance is evidenced through the emergence of different types of disclosures, for instance, the recent adoption of corporate social responsibility report. In addition, an unstable business environment and sensitive industry furthers companies' attention on disseminating information to stakeholders, especially in the case of accident or crisis. Therefore, the purpose of this thesis is to investigate the reaction of a company's disclosures when it faces an unforeseen event. This research was conducted by using the case of British Petroleum with the oil spill in the Gulf of Mexico. To examine how BP's disclosure practices reacted upon the incident, both qualitative and quantitative content analysis approaches were employed. The investigation areas were the extent of BP's disclosures and strategies used in its disclosures. Results show that BP's disclosures reacted in the way to legitimate its operation. BP intensively employed disclosures, which significantly increased after the oil spill, to communicate with stakeholders and. Also, BP used different disclosure strategies in different sources to target specific stakeholder groups. To gain its legitimacy purposes, BP used Association strategy to maintain and Compliance to repair and regain operational license.

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CHAPTER 1: INTRODUCTION

This chapter presents the background and the motivations of the study. Then the research question is formulated and the study's disposition is described.

1.1. Background

Stakeholders today have many more demands towards corporations. While ensuring profitability to deliver value to stakeholders, companies are also expected to minimize and take responsibility for impacts of their activities on the surrounding environment. However, even in the case that corporations seriously install control and protection systems, industrial accidents can still happen. Such accidents cause huge damage to environment and society, which in turn imposes cost for both external parties and corporations.

Recently, on April 20th 2010 there was the explosion on a British Petroleum (BP) oil drilling rig in the Gulf of Mexico. This incident got much attention and was considered to be the worst oil spill into marine in US history (http://www.bbc.co.uk). Looking back to American history, the aforementioned event was just one in a chain of industrial accidents (http://www.lawyershop.com). Work-related accidents could be also seen in Europe, for instance, Total SA with Erika's shipwreck in 1999 and AFZ chemical explosion in 2001 (Cho, 2009). Such kinds of incidents have negative impacts on society and environment and this in turn influences both financial and non-financial aspects of corporations. Take Exxon-Valdez as an example, the oil spill on March 24th 1989 at Prince William Sound, Alaska contaminated around 1,300 miles of shoreline and the adverse impacts on regional wildlife, local fishing and tourism economy lasted for years. Besides, Exxon had to pay total \$1,150 million for plea agreement, criminal restitution and civil settlement (http://www.arlis.org). More importantly, Exxon's reputation and credibility were stained, which could not be quantified in monetary term.

The occurrence of above events is not rare and this results in stricter overlook and policy system. Together with new laws and regulations, there also emerge unofficial requirements of stakeholders which enforce the involvement of companies in promoting sustainable development (Graham et al. 2011). Incompliance with such social expectations can put a company's operation into challenges and even threaten its business life (Lindblom, 1994). As a result, there is a popular trend among corporations to disclose more information regarding non-financial issues to demonstrate their obedience. Such information can be found through not only annual reports but also other non-traditional sources such as corporate social responsibility (CSR) reports, press releases, and company's website (Gamerschlag et al. 2011). These documents are used as communication channels which help to inform interested stakeholders about the performance of corporations,

transmit messages of managers (Deegan, 2002) and in some case shape stakeholders' perception about the corporations as well (Tinker, 1980;Neu et al., 1998).

It is obvious that conforming to rules and social norms is necessary for the existence of the corporation. However, it is also important that the corporation informs community about its abidance or its efforts otherwise all improvements will go unnoticed. Stephen (2005) also stated that the way people perceive the crisis and the image of corporations during and after crisis is influenced by corporation's communication strategies. Thus, concerning unexpected events discussed in the previous part, together with actions to rectify consequences, disclosing information and communicating with stakeholders also play an important and urgent role in order to diminish negative effects of accidents on corporations.

1.2. Research issue

Corporations are a part of society they operate within, and have influences on and are influenced by that society. Additionally, society possesses necessary capitals for the survival of corporations. As a result, corporations have to demonstrate that their activities are in bound of norms and values of respective society in order to receive the "license" to operate (Deegan, 2002). Therefore, when stakeholders' awareness about social and environmental performance of corporations arises, corporations in response to that phenomenon disclose more to stakeholders to inform that they are complying with external expectations. This trend was verified through KPMG's international survey (2011), more detailed 95% of 250 largest companies disclose their corporate social responsibility (CSR) activities. Hence, we perceive that CSR disclosures are of corporation's concern and have become a prevalent corporate communication channel.

From this, it can be inferred that when corporations face huge external pressures especially from the environmental disasters like in the case of BP, disclosure practices will become even more pivotal. It is obvious that the corporation must undertake corrective actions. However, it is also crucial that stakeholders are aware of corporation's response activities. Without disseminating such information, the disparity of expectation of society towards the company and its behaviors cannot be closed. Coombs (1995) in his research proved that it will take shorter time for corporations to recover after crisis if they communicate social and environmental responsibility to stakeholders. That means the job of handling the communication between corporation and stakeholder is very important for company's survival.

Consequently, this thesis focuses on the disclosure practices of a corporation when it is involved directly in an incident. The argument is that if specific issues are considered to be important and have potential influences on the corporation's existence, corporation will have more things to

discuss in its disclosures. Furthermore, messages transferred in disclosures were on purpose with specific tactics employed to gain company's targets. Therefore, the changes in level of disclosures in annual reports, CSR reports and press releases during a crisis period are examined. In addition, disclosure strategy which the corporation employs to communicate with stakeholders is also an investigation area. The research question of thesis is as following: "How does a corporation respond in term of disclosures when it faces an unexpected event?"

To address the above research question, other sub questions are formulated:

1. How does the extent of disclosing information change?

2. What disclosure strategies does a company use to respond to event?

The purpose of this study is to investigate the reaction of a company's disclosures when it faces an unforeseen event. In other words, this study will illuminate how corporation utilized its disclosures to communicate with stakeholder when meeting an incident. The findings of this study will add insights into the employment of corporate disclosures. BP's disclosure practice from 2009 to 2011 provides knowledge of how disclosures are strategically exerted when it involves in the "well-know" incident.

1.3. Disposition

The paper was structured as follows

Chapter 1: introduces the motivations and research areas of the study.

Chapter 2: presents the theoretical framework used in this study.

Chapter 3: reviews previous researches and constructs disclosure strategy typology to examine BP's disclosure practice.

Chapter 4: describes the method to conduct the study. The chapter explains the case study selection and then describes how sources of the study were chosen, organized and analyzed.

Chapter 5: presents and analyses the empirical findings from the case study. This chapter presents how BP's disclosures reacted to the oil spill in the Gulf of Mexico in term of the amount of disclosures and the disclosure strategies used.

Chapter 6: discusses the case's findings and presents study's limitation together with suggestions for future research.

CHAPTER 2: THEORETICAL FRAMEWORK

This chapter presents the theoretical framework of the study. Details about Legitimacy theory and Stakeholder theory are discussed with the focus on the former theory, which follows some general information about these two related theories.

Theories were constructed as abstractions of reality to provide a systematic framework with the purpose of supporting in investigating and understanding various accounting practices. Nevertheless, with the complex nature of reality, sometimes specific theory cannot give comprehensive explanations and descriptions for an emergent trend (Deegan 2002). Besides, Gray et al (1995) suggested that some theories should be treated as complementary rather than competing theories, for example to explain particular managerial actions. Therefore, in this study, to get answers for research questions, both legitimacy and stakeholder theories were utilized.

Both stakeholder and legitimacy theories have the premise on system-oriented theory. According to Gray et al (1996), theories which fall into the realm of system-oriented theory put more attention on "the role of information and disclosure in the relationship(s) between organizations, the State, individuals and groups". This feature is helpful for purpose of this study, examining the reaction of BP's disclosures when it confronts pressures resulting from the oil spill incident. Besides, these theories have insights that derive from political economy theory which has the basic assumption about the interdependence of social, political and economic factors. In other words, political economy theory posits that a company is a part of society where it operates and the influences among actors are inevitable. Thus, investigating the reaction of BP disclosures in the context of its surrounding environment will open up broader issues and provides deeper understanding.

In summary, both legitimacy and stakeholder theory with the focus on the former were used in this study. The former theory examines how disclosures were used by BP to legitimate its operation. The later theory serves to add insight about disclosure strategy in relation with target stakeholders and type of reports. These theories are described in the following sections.

2.1. Legitimacy theory

Legitimacy was defined as "a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part. When a disparity, actual or potential, exists between the two value systems, there is a threat to the entity's legitimacy" (Lindblom, 1994).

Legitimacy theory contends that organizations attempt to ensure that their operational activities are within common norms and values of specific societies (Unerman et al, 2010). The need to be perceived legitimate by respective societies emanates from the "social contract" between organization and societies. The social contract exists because organizations do not have any inherent right to resources which are necessary for their survival while societies possess such resources. Therefore, in order to be supplied needed resources to continue its business, organizations need to operate in an acceptable manner so as to demonstrate their compliance with external expectations (Deegan and Unerman, 2006). The necessary of such compliance was visualized by O'Donovan (2002) when he discussed the notion of a legitimacy gap. The area marked by Y and Z represent society's expectations and corporation's activities respectively while X represents the intersection of these two. Corporations need to enlarge the area of X as much as possible otherwise the legitimacy gap will emerge. That means the more congruence of society's perception of corporation's activities and corporation's conduct there is, the better the legitimate status of the corporation is. Therefore, to earn society's support, identifying a corporation's behaviors with social values is an important issue to consider. In the case that managers perceive the existence of breaches of social contract, strategies will be pursued to amend those breaches (Yongvanich and Guthrie, 2007).
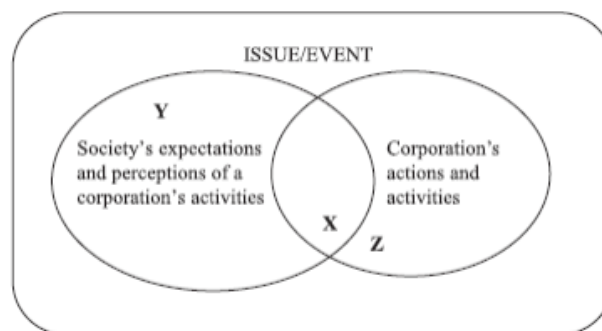
Figure 2.1: Corporation legitimacy

To seek the approval of society, legitimacy theory posits that the perception of society about corporate is a matter (Unerman et al 2010). That means it will be insufficient if a corporation changes its behavior without informing stakeholders about such changes. This is because the initial unfavorable view about the corporate still exists and as the result of incomplete information, adverse action can be taken towards the corporation. In other words, disclosure activities play a crucial role in shaping or changing stakeholders' attitude. In line with this argument, Suchman (1995) also stated that legitimacy of a corporate is "dependent on collective audience". From this, legitimacy theory gives prediction that if a corporation notices potential or actual incongruence of its behavior and society's expectations of its behaviors, disclosures will be exerted to legitimate the corporation's operation. Besides, there exist many legitimacy purposes such as maintaining

legitimacy, repairing legitimacy or regaining legitimacy. Legitimacy theory also suggests that depending on each legitimacy purpose, the company can employ different disclosure strategies to gain its legitimacy target. Ashforth and Gibbs (1990) proposed that in general there are two types of disclosure strategies. The first one is symbolic disclosures strategy which means disclosures do not reflect the true picture of corporation's conduct. That is disclosures are used to portray or create a favorable image of the corporation. In contrast, the second disclosure strategy will be substantive, which presents a picture of the corporation which is in agreement with its actual behaviors.

Another worthy notion to mention is that according to legitimacy theory social expectations will change overtime. That means if a corporation pursues legitimacy, its behavior will be adapted to these changes (Deegan and Unerman, 2011). In other words, disclosures of a corporation will also shift focus in order to express its changes that go hand in hand with social values.

2.2. Stakeholder theory

As mentioned before, both legitimacy and stakeholder theories have the origin in system-oriented theory which considers company as a part of wider society. Hence, there are many similarities between these two theories. Both theories acknowledge the interaction of a company and its society and the impacts of public's pressures or expectations on the company (Deegan and Unerman, 2010). While legitimacy theory assumes that there is a single social contract between company and its assigned society, stakeholder theory narrows down the magnitude of such contract into several contracts. Stakeholder theory recognizes that different stakeholder groups have different demands; hence, instead of one contract, there are many contracts for the company to fulfill. However, each stakeholder group has different power and influence on the company's decisions and operations. Therefore, the more influence stakeholders have on the company's survival, the more effort the company put into managing this stakeholder groups' demands (Deegan and Unerman, 2011). That means a company's disclosures can be used to target certain stakeholder groups.

Concerning the influence of stakeholders on corporation's behavior, Mitchell et al (1997) constructed a framework that helps to identify the salient stakeholder groups. He proposed three attributes, namely power, legitimacy and urgency. Mitchell argued that the more attributes a stakeholder group possesses, the more influence it will have. It means the company will prioritize to conform to the most salient stakeholder groups first. Therefore, when a corporation faces threats to its operation, some stakeholder groups can be on corporation's agenda first based on their salience. In this case, disclosures can be mainly exerted towards specific stakeholder groups.

CHAPTER 3: PREVIOUS RESEARCH

This chapter presents findings of previous researches on disclosure practices of companies when they confront the incidents. The two areas of focus are the extent of disclosures and the disclosure strategies used. After reviewing prior researches, the authors formulated the typology of disclosure strategy which is suitable for the context of the study.

Over some recent decades, the awareness about corporations' impacts on the surrounding environment has been significantly awakened. Together with this phenomenon, the disclosure activities of companies experienced dramatic changes. Corporations are now voluntarily reporting their social and environmental performance. Therefore, it can be inferred that the disclosures will be exerted even more in the case of accidents that have negative influences on the surrounding environment.

In this section, previous researches about the reactions of companies' disclosures will be reviewed. The focus of this review will be on the variation of the extent of disclosures and strategies employed in such disclosures. However, previous researches dealing with both issues are quite limited. Consequently, the literature review includes two areas of researches which relate to provision corporations' disclosures and strategies employed in such disclosures.

3.1. Corporations' disclosures as reactions to social and environmental issues

According to legitimacy theory, society possesses resources (e.g. natural resources, labor forces, capital,..) that corporations necessarily need for their survival. The right of utilizing such resources results from the congruence between the conduct of corporations and the beliefs of collective audiences. That means the perceptions of society about corporations are important for organizations in order to be seen legitimate and conferred these resources (Deegan and Unerman, 2006). Therefore, it is pivotal that corporate behaviors were disseminated to and acknowledged by society. One way to accomplish it is by disclosing information to public through different channels such as Annual report, Sustainability report, Corporate website, Press release, etc (Dowling and Pfeffer, 1975; Lindblom, 1994). This point of view was also supported by Hurst, when he proposed that corporate disclosures can hold the function of legitimating the corporation's existence (Deegan and Unerman, 2006).

Therefore, the argument is that if corporations need to be perceived legitimate by society where they operate, then the increasing of society's concern about social and environmental issues will lead to an increase in corporations' disclosures. Some former researchers examined social and environmental events and their influences on the amount of corporations' disclosures. At the

beginning, there were divergent thoughts about the link of two factors. While Hogner's (1982) speculation about the correlation between two variables was approved through a longitudinal study on the Annual reports of US Steel corporation, Guthrie and Parker (1989) failed to confirm this result via examining the disclosure activities of Brooken Hill Propritary Company (BHP) from 1885 to 1985. However, this communication function of environmental disclosures in Annual reports was advocated by subsequent researchers. In 1998, Brown and Deegan combined legitimacy theory and media agenda-setting theory to test the coverage of media about specific social and environmental issues and the amount of such information in corporations' annual reports and they also found the association between them. In addition, Deegan et al. (2002) again used BHP annual reports but from 1983 to 1997 and showed that corporation discloses to respond to environmental factors.

Besides, researches were also conducted by choosing specific events and then observing the changes in corporations' environmental disclosures. These studies drew the same conclusion that the level of corporations' disclosures after specific events was more than that of prior regardless of whether they were involved in the incident or not. One important work to mention is of Patten (1992). He examined the coverage of environmental information in Annual reports of other corporations rather than Exxon Valdez which was involved in the Alaska oil spill incident in 1989. This study found that the provision of information of other corporations in the oil industry was also going up after the disaster. Deegan et al. (2000) performed similar research, which investigated the reactions of Australian oil corporations concerning social and environmental disclosures in Annual reports when crisis occurred both at local and in international scale. The finding of this study was in line with that of Patten (1992). Choosing a different approach, Deegan and Rankin (1996) investigated the variation of companies' disclosures when they faced prosecution. They stated that corporations provided more information when they were prosecuted. The recent research of Cho (2009) which examined both Total's Annual reports and Press releases was an additional evidence for reaction of corporation through using disclosures.

From the above review, it can be perceived that corporations have exercised disclosures as a method to communicate and react upon social and environmental events. However, an important thing to notice is that most of previous researches were conducted with only Annual reports disclosing social and environmental issues (Unerman, 2000).

3.2. Disclosure strategies

According to Suchman (1995) and O'Donovan (2002), corporations can employ many different strategies to gain the support of the public. However, this choice depends on the reason why they

want to be perceived legitimate. Hence, before reviewing past researches about legitimacy strategies, the objectives of disclosures will be presented.

3.2.1. The purpose of corporate disclosures

It can be conceived that one of the purposes of corporate social and environmental disclosures is to legitimate companies' ongoing operations. To be detailed, Ashforth and Gibbs (1990) and Suchman (1995) discussed that a company discloses to gain, maintain or defend its legitimacy. Besides, drawing from the life cycle of business, Tilling and Tilt (2010) claimed that there are four disclosure objectives which are compatible with four phases of corporation's business life, namely establishment, maintenance, extension and defense legitimacy.

However, from previous researches, social and environmental disclosures were also released to regain company's legitimacy after the occurrence of crisis (Patten, 1992; Walden and Schwarts, 1997). Therefore, in this study the frame of disclosure purposes will fall into maintain, defend and regain legitimacy.

Corporations are in the phase of maintaining its current legitimacy after gaining the first legitimacy. This task is considered to be the easiest one comparing with the others. Suchman (1995) proposed that two important tasks for managers in this stage are predicting future changes and conserving its past legitimacy achievements. Another thing to mention is that community perceptions will change over time, which can lead to the withdrawal of corporations' operation license. Therefore, disclosures will be relied on heavily to communicate with stakeholders, for example to inform the changes or explain the reasons for resistance (Deegan et al. 2002).

When disparity between community norms and corporations' conduct occurs and is noticed by stakeholders, for example due to incidents, companies need to defend its current legitimacy (repair legitimacy purpose). Disclosures are employed to respond to pressures, manage challenges and minimize negative influences on corporations. According to Ashford and Gibbs (1990) the disclosure approaches used in such situation are intense but reactive.

Another task corporations need to deal with after the crisis is to retrieve their lost legitimacy (regain legitimacy purpose). At this phase, corporations' disclosures were used to earn back trust and support of not only current but also potential stakeholders. Disclosure activities are often intense and proactive since managers are doing the job of rebuild corporations' image which were tarnished due to crises (Patten, 1992; Walden and Schwarts, 1997).

3.2.2. Disclosure strategies

There are several previous researches discussing strategies which a company can employ to target its legitimacy purposes (Dowling and Pfeffer, 1975; Oilver, 1991; Lindblom, 1994; Combs, 1995; O'Donovan, 2002 and Cho, 2009). Regardless the differences in the approaches and terms the authors used, all of these above papers provide the insights into organization's use of disclosure strategies to be perceived legitimacy.

The first paper was of Dowling and Pfeffer (1975), which constituted a framework for analyzing the process of a corporation's legitimation. They pointed out three different strategies that the corporation can use. Firstly, to be aligned with acceptable behaviors, the organization changes its output, goals and the ways of operation. Two other strategies were exerted through communication channel: the first of them is to modify society's prevalent norms and values so that they conform to the corporation' current activities and the second strategy is that the corporation attempts to link itself with symbols and values that have high legitimacy status.

Then in 1991, Oliver provided a typology of strategic responses of corporations to institutional environment. He presented five types of strategic responses, namely acquiescence, compromise, avoidance, defiance and manipulation. The activeness of responses increases from acquiescence to manipulation.

The third worthy paper to mention is Lindblom (1994), which is quite similar to Dowling and Pfeffer's work (1975). His discussion had direct implications for disclosure practices. He described four letigimation strategies which corporations can employ in their disclosures. The four tactics are: educate and inform the public about the changes of its current performance and activities; alter the relevant public's definition about its performance and activities without any changes in its actual operations; manipulate perceptions of the pertinent public by associating itself with high legitimate institutions without any change in organization's behaviors and social values; change external expectation about its future performance.

Fourth, Combs (1995) put focus on crisis-message-strategy and he created a typology of strategic responses of public messages which organizations can utilize during crisis period. His model includes five-category strategies, namely nonexistence, distance, ingratiation, mortification and suffering strategy.

Next, O'Donovan (2002) identified disclosure tactics which can be used in different circumstances such as gaining, maintaining and repairing legitimacy. In addition, he also presented strategies employed by oil companies when they involved in incidents, namely avoid, attempt to alter social values, attempt to shape perceptions of the organization and conform to conferring public's values.

Finally, from the work of Dowling and Pfeffer (1975), Lindblom (1994) and O'Donovan (2002), Cho (2009) in his research developed three legitimacy strategies, namely image enhance, avoidance/deflection and disclaim.

3.2.3. The synthesis of disclosure strategies

To illuminate how a company legitimates its operations through disclosures, in this section, a model of disclosure strategic responses, which is suitable with the context of this study, was constructed. This model presents disclosure tactics and how they can be used to convey message to stakeholders so that legitimacy purposes can be targeted. From above discussed paper together with reviewing the nature of the company which was observed in this study, in general, there are three disclosure strategies, namely compliance, association and distance.

The first disclosure strategy, Compliance strategy means that through disclosures the corporation seeks to express its conformity to social values. On the one hand, disclosures will be exerted to promise or describe company's progressive operations that conform to stakeholder expectations. Such disclosures have effect of holding supportive attitudes of stakeholders towards company (Ashford and Gibbs, 1990). On the other hand, this strategy can also be employed to close the legitimacy gap when there is a divergence of company's activities and social values. Details, as crisis occurs, disclosures will be relied heavily on to report company response activities (Combs, 1995). Additionally, corporation through disclosures will also ask for forgiveness, commit to overcome consequences and promise for the best incident preclusion (O'Donovan, 2002). In short, the ultimate purpose of these disclosures is to inform audiences about the company's compliances to social expectations or its promises to take responsibility and adjust in accordance with common values (Dowling and Pfeffer, 1975,). Hence, adverse actions or offensiveness of public towards company can be mitigated.

The second disclosure strategy is Association strategy. The company exerts this strategy to link itself with other acceptable values (Dowling and Pfeffer, 1975, Lindblom, 1994, Combs, 1995, Cho, 2009). By doing this, the company seeks to enhance its image and reputation in normal business life or attempts to defend its image and reputation during crisis time. Detailed, the company reminds stakeholders about its confident operations by disclosing past positive performance, for example, its achievements regarding safety operations. Besides, this strategy can also be used to please stakeholders with supportive activities disclosures that are beyond company's legal obligations. In other case, through disclosures, the company also tries to place an incident in broader context, for instance the oil spill can be accepted for the purpose of exploring to meet the

growing demand of oil (Combs, 1995). The main point under this option is that disclosures were used to tie the company's activities with socially acceptable behaviors.

Finally, Distance strategy can also be utilized in corporations' disclosures. According to Cho (2009), distance means that company uses disclosures to draw stakeholders' attention to other related or non-related issues. Combs (1995) proposed that by disclosing information, the company can seek to weaken its link with crisis, for example by demonstrating that the incident was in control of third party or group of parties that company could not fully monitor. In other case, company also sought to lessen negative effects of incident, hence, responsibility or adverse opinions can be lessened. The basic idea behind this tactic is that company attempts to reduce its responsibility to crisis so that the negative feeling towards company will be diminished.

The above three disclosure strategies can be also used together. Depending on company's purpose, it can integrate certain disclosure strategies into combinations. Such blending of strategies can have a potentially more powerful effect than just using the strategies individually. The specific combinations which were employed by BP in different context will be discussed in chapter 5.

The classification of strategies and sub-strategies within each strategy can be clearly illustrated in the table below. It is important to mention that the use of one or a combination of strategies will depend on the legitimacy purposes of company.

Disclosure strategy	Explanation
Compliance strategy	
+ Commitment	+ Disclose its commitments towards sustainable development, reliable operations
+ Apology	+ Accept responsibility and express regret and ask for forgiveness
	+ Offer money to those that are affected
+ Corrective action	+ Rectify consequences of incident
+Internal improvement	+ Adjust internal system to be in line with social expectations
Association strategy	
+ Remind	+ Mention past reliable operations
+Ingratiation	+ Please stakeholders by past or current good deeds
+Transcendence	+ Place the incident in desirable purpose, for example, to meet the energy demand
Distance strategy	
+ Excuse	+ Explain about inherent risk of oil industry, the involvement of parties
+ Diminish negative effects	+ The effects of the incident are not as bad as initially thought

Table 3.1: Disclosure strategies and sub-strategies

CHAPTER 4: METHODOLOGY

This chapter presents the research methodology of the case study BP. It includes the explanations for the case chosen, the selection of sources and approaches to organize and analyze data.

4.1. Methodology

Yin (2003) claimed that if "how" and "why" questions arise together with the investigated objectives which are uncontrollable and contemporary phenomena in reality, then case studies method is a first suggestion. Besides, Ryan et al (2007) stated that "*Case studies offer us the possibility of understanding the nature of accounting in practice; both in terms of the techniques, procedures, systems, etc which are used and the way in which they are used*". In line with this, Hagg and Hedlund (1979) also posited that case study helps to give clearer explanation which was considered in specific context and took all related issues into account. Therefore, to conduct this research the author used case study method, which aims to get understanding about a corporation's disclosure activities. British Petroleum public limited company, whose headquarter is in London, United Kingdom, is the case study in this research.

The author continues to narrow down the type of case study that is suitable to the objective of this research. According to Ryan et al (2007), descriptive case study helps to have overview of accounting disclosures in practice regarding techniques, systems and procedures as well. In addition, this kind of case study is useful in providing information about the nature and form of corporations' disclosure practice. Therefore, more detailed, the method of this research is descriptive case study.

4.2. Case selection

BP was chosen to be the case study in this research due to some reasons. First of all, BP is doing business in an industry which is seen to be environmentally sensitive. That is, its activities have high potential negative impacts on environment as well as society. Besides, BP is also one of the largest oil companies in the world and has a presence in over 80 countries. These factors make BP become more visible to public in general and media in particular especially during crisis time. Previous researches also proved that the characteristics and size of corporations have influences on disclosure decisions (Trotman & Bradley, 1981, Patten, 1992, Deegan and Gordon, 1996, O'Dwyer, 2002, Patten, 2002, Aerts and Cormier, 2009). Furthermore, the pivotal reason for BP to be selected is that BP recently confronted with an accident, the oil spill in the Gulf of Mexico in 2010, which is considered to be the worst environmental disaster in US history.

From the above factors, the author speculates that BP's communications with its stakeholders will be intensive, especially disclosure practice was heavily relied on to disseminate information to stakeholders. Hence, BP is considered to be suitable for the aim of this research.

4.3. Research process

4.3.1. Data collection

Data on how BP responds to the oil spill in the Gulf of Mexico were collected. The sources of this study were BP Annual reports, BP Sustainability reviews and BP Press releases. Although the incident occurred in April 2010, for the purpose of research's persuasiveness and credibility, data from the years of 2009 to 2011 were analyzed. Data in the year of 2009 will be used as baseline level of disclosure for later years. From this, the change in extent and strategies of BP's disclosures were revealed when comparing data of before, during and after crisis time.

The choice of above sources stem from several reasons. Concerning Annual report and Sustainability review, information in these documents are approved by external assurance, hence, the credibility of information in such reports is quite high. Researches on corporations' Annual reports and Sustainability reviews stated that these sources are seen as prevalent communication channels of corporations which are used to transmit specific managers' messages and points of view (Deegan, 2002; O'Donovan, 2002). However, one disadvantage is that these two documents are published once per year, which can confine the corporations' ability to provide updated information to stakeholders. Therefore, to achieve a complete picture of reactions of corporation's disclosure, Zeghal and Ahmed (1990) proposed another channel, namely Press release. They argued that Press release can be employed to communicate immediately for specific event and stakeholder groups. Hence, it would be quicker and more flexible to disseminate information. This means the function of information provision of Annual report and Sustainability review was completed by that of Press release. More importantly, target readers of these three documents are BP's wide range of stakeholders. Thus, responses of BP to the incident can be captured comprehensively via these documents.

Regarding BP Annual report, in 2009, BP published two separate documents, namely Annual report and Accounts; and Annual report on form F-20. However, in 2010 and 2011, there was only one report version, Annual report and form F-20. Therefore, in order to ensure the comparability among reports and the validity of study, the two reports in 2009 were read and compared. The conclusion is that Annual report and accounts includes all part of Annual report on form F-20 with an exception which is the section named "Parent company financial statements of BP p.l.c"; and Annual report on form F-20 does not comprise three following sections, namely Chairman's letter,

Group chief executive's review and Our performance. That means Annual report and Accounts contains more related and material information. Therefore, in 2009, Annual report and Accounts was included in the study source. Hereafter, such reports in three years were called BP Annual report.

About the content of BP's Annual reports, during observation time, Annual reports contain three following sections: Directors and senior management, Additional information for shareholders, Financial statements. The information in these sections was considered to be less related and less material for the purpose of this study. Consequently, to put more focus on the substantial parts, above sections were excluded from the source. Besides, in 2010 and 2011, there is an additional section, namely Corporate governance. The thing is that in 2010 BP had the evolution in its board. Therefore, to exclude external factor that caused the changes of disclosures after the oil spill, this section was not examined.

Regarding BP's Sustainability reporting, this includes four sub parts, namely Sustainability review, full reporting on website, country reports and site reports. However, BP also stated that stakeholders could still have a rich and deep picture about sustainability topics presented in its website by only reading Sustainability review. Hence, due to the time constraint, the author chose Sustainability review as proxy for all four types.

4.3.2. Data organization and analysis

To organize and analyze the data, content analysis method was employed. According to Krippendorf (2004), content analysis was used for *"making replicable and valid inferences from the texts (or other meaningful matter) to the contexts of their use"*. In this study, both qualitative and quantitative content analysis approaches were used. By doing this, systematizing quantities of disclosures and identifying patterns of tactics used in disclosures can be revealed (Quinlan, 2011).

To capture how BP's disclosures respond to the oil spill in 2010, the research's sources were examined in two steps, namely measuring the changes of disclosure level and investigating legitimacy strategies used.

4.3.2.1. Quantification of disclosures

To count the amount of disclosures in reports, different units of measurement such as word, sentence, paragraph, page and proportion of page can be used. The appropriate choice of measure unit is still a debate among researchers. This is because each unit of measurement has its own advantages and disadvantages. For instance, word as a measurement unit can firmly guarantee for the quantification of disclosures but it raises the problem of meaning when measuring isolated

words. The accuracy of counting words and sentences are approved however they are criticized for ignoring typeface and non-narrative information like graphs and pictures. Besides, while proportion of page measurement technique overcomes limitations of word and sentence unit, it embeds subjectiveness as regards for measuring blank parts of page (Unerman, 2000). In order to choose the most suitable measurement unit, Annual and Sustainability reports were skimmed. After reading these two reports, sentence was chosen to measure the level of BP's disclosure in observed period. This is because the author recognized that there are not a large amount of pictures and graphs in Annual reports that could mislead the result of study. In term of Sustainability review, the percent of pictures and graphs is higher than that of Annual report but all pictures go together with texts which explain the picture's content. This means such texts will be proxy for pictures and graphs. In other words, although pictures and graphs were excluded, they were still counted in a sense.

Another important aspect of quantitative content analysis is unit of analysis. In this study, sentence is also used to code information. As discussed by BP, many actors contributed to the occurrence of the incident such as mechanical failures, human judgments, engineering design, operational implementation and team interfaces. From this, it can be perceived that more attention should be put in managing those risks to achieve safety in operations and controlling aftermaths for environment, wildlife and society. That means main issues relating to the incident are about management risk, safety operation and incident's aftermaths. Therefore, sentences were coded if they are discussing the following themes:

(1) Discussion about company's good and reliable operations;

(2) Discussion about company's commitments to perform well;

(3) Discussion about company's actions towards the incident (such as respond to the oil spill, rectify the consequences, compensate for victims, …);

(4) Discussion about company's apology towards the incident (such as express regret and promise to take responsibility – just by words);

(5) Discussion about incident information (disclosures about incidents that has the involvement of company including all general information about incident, the status of incident);

(6) Discussion about company's internal improvements (such as improvement in safety system or management risk or working with partners);

(7) Discussion about company's external supports (activities that are beyond company's core business and what are required by law);

(8) Discussion about company's inherent risks.

More detailed about the process of coding, disclosures were read and if they belong to one of the above themes, then they are accumulated to social and environmental disclosure reservoir. How to identify disclosures can be seen as example below.

Theme of disclosure	Example
Theme 1: Discussions about company's good and reliable performance (in general)	*"Our priorities have remained absolutely consistent – safety, people and performance – and you can see the results of this focus with improvements on all three fronts" (BP Annual Report, 2009 p6)* *"We were pleased to receive the go-ahead from the US government to resume drilling and, by year-end, we had five rigs running" (BP Sustainability Review, 2011 p2)*
Theme 2: Commitment to perform well	*"In Exploration and Production, our priority is to ensure safe, reliable and compliant operations worldwide" (BP Annual report, 2010 p20)* *"We aim for no accidents, no harm to people and no damage to the environment"(BP Sustainability Review, 2009 This is BP)*
Theme 3: Actions taken towards the incident	*"We have set up a $20-billion fund to show our willingness and capacity to pay all legitimate claims for compensation"(BP Annual Report 2010, p6)* *"BP, working closely with specialists from many companies, governmental agencies and academia, tackled the leak in multiple, parallel ways"(BP Sustainability Review, 2010, p8)*
Theme 4: Apology towards the incident *(include express regret and commit to take responsibility – mainly just by words)*	*"We deeply regret the loss of these lives"(BP Annual Report, 2009 p15)* *"And, finally, we remain committed to paying all legitimate claims"(BP Sustainability Review, 2011 p9)*
Theme 5: Incident information that has the involvement of company *(include all general information about incident, the status of incident such as the impacts status of incident, death of people,..)*	*"In 2009, a third-party-operated helicopter carrying contractors from BP's Miller platform crashed in the North Sea, resulting in the tragic loss of 16 lives. In addition, BP sustained two fatalities within our own" (BP Annual report 2009, p15)* *"The results, which are publicly available, have found no evidence of contamination from oil or dispersants that would pose a threat to human health" (BP Sustainability Review, 2011 p9)*
Theme 6: Company's internal improvement *(activities that are beyond company's core business and what are required by law)*	*"By the end of 2009, around 80% of our operating sites were using the system, including all our operated refineries and petrochemicals plants" (BP Annual Report, 2009 p15)*

	"BP began implementing voluntary drilling standards for operations in the Gulf of Mexico in July 2011" (BP Sustainability Review, 2011 p10)
Theme 7: Company's external support	"We make direct contributions to communities through community programmes" (BP Annual Report, 2009 p51) "We will continue to share what we have learned with governments, the energy industry and the wider community" (BP Sustainability Review, 2010 p7)
Theme 8: Company's inherent risk	"Inherent in our operations are hazards that require continuous oversight and control" (BP Annual Report, 2009 p19) "Our ability to fulfil our corporate responsibility depends in part on the conduct of our suppliers, contractors and partners" (BP Sustainability Review 2011, p27)

Table 4.1: The classification of the content of disclosures

4.3.2.2. Examination disclosure strategies

After capturing the extent of disclosures during the years, the Annual reports, Sustainability reviews and Press releases were read to point out the pattern of disclosure strategies employed by BP. BP's statements, discussions or arguments in sources were carefully read to identify what tactics were used during the three year period. If discussions in the documents show commitments or repentance or adjustments in operation to comply with external expectations, the strategy employed was Compliance. If the corporation seeks the understanding of stakeholders and delivers favorable corporation's image by reminding past achievements or seeking to the acceptance of stakeholders by placing incident in broader context, disclosures with Association strategy was exerted. Finally, if disclosures imply the involvement of other parties in the incident or the inherent risk of industry, then the corporation employed Distance tactic.

To be clearer BP's disclosure strategy through years, the author also sought to visualize BP's pattern of disclosure strategies. To do this, paragraph was used as unit of analysis and sentence as a measurement unit. Paragraph was considered to be the most suitable analysis unit because it is not too long like topic unit which can contain too much information and is not too short like sentence so that it can capture the meaning of message. Examples of disclosure strategies, which belong to each alternative, can be seen below

Disclosure strategy	Example
Compliance strategy	*"Safety, people and performance are BP's top priorities. We constantly seek to improve our safety performance through the procedures, processes and training programmes that we implement in pursuit of our goal of "no accidents, no harm to people and no damage to the environment" (BP Annual report, 2009 p46)* *"BP has been working closely with local communities and government agencies on the restoration of the Gulf Coast. During the year, we continued to meet our commitments to those affected. All legitimate claims for compensation have been, and continue to be meet" (BP Sustainability Review 2011, p2)*
Association strategy	*"We had our best year for a decade in terms of access to new upstream opportunities, with awards for a total of 55 new exploration licences. We also gained approval for our exploration plan for the Kaskida field in the Gulf of Mexico – our first drilling permit for an exploration well in the US since the Deepwater Horizon oil spill" (BP Annual Report, 2011 p49)* *"It is important to remember why companies such as BP have to take on the risks they do. Around 40 years ago, international oil companies had access to the majority of the world's oil reserves. Today these companies can access a much smaller share [...],but reaching many of those reserves requires us to overcome serve physical, technical, intellectual and geopolitical challenges. Global energy demand continues to rise, so the world needs BP and others to meet these challenges in an sustainable way. In doing this, we can never eliminate every hazard, but we can become an industry leader in understanding and limiting risk"(BP Annual report, 2010 p11)*
Distance strategy	*"Our investigation report was published on 8 September 2010, and found that no single factor caused the accident. The report stated that decisions made by multiple companies and work teams contributed to the accident, and these arose from the complex and interlinks series of mechanical, human judgment, engineering design, operational implementation and team interface failures" (BP Annual report, 2010 p10)* *"Data collection and analysis are ongoing, but preliminary analysis indicates that the effects on wildlife by the oil spill appear to be much less than initially feared" (BP Sustainability review, 2011 p8)*

Table 4.2: Examples of the employment of disclosure strategies

CHAPTER 5: EMPIRICAL FINDINGS

This chapter presents the reaction of BP's disclosures due to the occurrence of the Gulf of Mexico oil spill. The first two sections are about BP and the oil spill in 2010. The last section goes deeply into the changes in the extent of disclosures, the disclosure strategies used and the differences in strategies among different type of reports. Together with these, the case study data was analyzed in accordance with the theoretical framework to provide the study's findings.

5.1. Overview of BP

BP is a British multinational oil and gas company, which was founded as the Anglo Persian Oil company in 1909 and took its current name British Petroleum in 1954. BP's functions are to *"providing its customers with fuel for transportation, energy for heat and light, retail services and petrochemicals products for everyday items"*. BP's operations begin with exploration and then end with supplying daily needed energy (www.bp.com). The industry in which BP is currently operating is considered to be an environmentally sensitive industry. More precisely, any mistake in operations can cause accidents with extremely serious aftermaths.

Despite the occurrence of the oil spill in 2010, BP's revenue increased in the period of 2009 to 2011, with $246,138 million in 2009, $308,928 million in 2010 and $386,463 million in 2011 (BP Annual report, 2011). According to the ranking of Global 500, BP was the fourth among 500 largest companies in the world measured by revenue in 2011 (www.money.cnn.com). Today, BP has operations in over 80 countries and is known with six different brands, namely BP, Castrol, Arco, BP Ultimate, Aral and ampm. In 2010, there were significant changes in the BP board of directors. In October 2010, Tony Hayward stepped down and Bob Dudley became the new chief executive of BP. BP consistently portrays itself as a corporation with solid objective of creating value for shareholders in sustainable way, which can be seen through the missions of different executives throughout its business life. Tony Hayward claimed that his goal is *"BP should not only a leader in what we do – by achieving excellent financial and operational results – but also in how we do it, because the 'how' is central to building the trust and accountability needed for long-term success"* (BP Sustainability review 2009, p3). In line with this, BP's mission in 2010 with new executive - Bob Dudley - is *"to grow value for our shareholders in a way that is safe and sustainable"* (BP Sustainability review, 2010).

Working within a sensitive industry, BP was also involved in some accidents with the most mentioned ones being the explosion at the Texas City refinery in 2005, the 2006 pipeline leaks in Alaska and the oil spill at the Gulf of Mexico in 2010. The first incident at Texas City caused the death of 15 people, the injury of 170 people and total fine of $87 million for BP

(www.nytimes.com). With the second incident, BP had to pay $25 million for civil penalties due to the spill of crude oil from BP's pipeline on the North Slope of Alaska, which is considered to be the highest amount of fine per barrels until 2006 (www.mcafeetaft.com). The last incident, the oil spill at the Gulf of Mexico in 2010 is also the worst incident that BP has been involved in regarding the consequences for the surrounding environment and for BP itself. The continuous efforts of BP and different parties are being processed to rectify the aftermaths of this incident and the final total cost for BP is not known yet.

5.2. The Gulf of Mexico oil spill

After preparing an environmental impact assessment about drilling operation for the Department of the Interior's Minerals Management Service, BP received the approval from President Obama to start drilling at the Gulf of Mexico on 31th March 2010 (www.greenpeace.org). Transocean Holding LLC operated the Deepwater Horizon oilrig and drilled the Macondo exploration well. In this project, BP owned 65% working interest (BP annual report, 2010 p34).

On the night of April 20, 2010, the Deepwater Horizon oil rig, located 45 miles off the coast of Venice, Louisiana, exploded and caught fire. Then the rig sank on 22th April and oil started to leak from the Macondo well. In May, efforts to contain the leaking oil were made by drilling two relief wells nearby. On 15th July, oil from Macondo well finally stopped flowing into the Gulf of Mexico. On 19th September, the US Coast claimed that the well kill process was successful and complete after 87 days spilling oil into Gulf (BP Annual report, 2010 p 34). In response to the incident, at the most urgent time, 48,000 people, 6,500 vessels and 125 aircraft were mobilized.

Concerning the incident's consequences, the estimated amount of oil leaking into the marine environment increased through time and on 4th May, US government claimed that it could be around 60,000 barrels of oil leaking from the well each day. This amount of leaking oil was considered to be the largest in history (www.greenpeace.org). In addition, eleven people died and seventeen others were injured due to the incident. This oil spill also had huge negative impacts on environment and wildlife at the Gulf. Up to 659 miles of the northern Gulf of Mexico coastline was directly affected by the spill and thousands of animals died or were visibly oiled (Graham et al, 2011). Furthermore, local economies such as tourism and seafood industry were severely impaired.

To take the responsibility for the incident, first of all, the $20 billion Deepwater Horizon oil spill Trust was established to ensure the payment of all legitimate claims. Another $500 million was committed by BP for independent research over the period of 10 years. Besides, the Gulf Coast Restoration Organization was formed to handle the job of Gulf Mexico responses. To the end of 2011, BP fully compensated for more than 189,000 individuals and businesses and 33,000 others

received interim payments. Another $40 million was paid to governmental parties. Owners of vessels involved in cleaning and protection also received a total of $7.7 million. To restore local economies, BP proposed the settlements together with the support to advertise and promote Gulf Coast tourism and seafood. In addition to $87 million grants funded by BP in 2010, another $92 million will be also used to support the revival of tourism at the Gulf. BP also provided $34 million and $48 million for testing and marketing seafood respectively. The budget for oil spill research was also being increased. On March 2012, the settlement with the Plaintiff's Steering Committee was agreed with the estimated amount of $7.8 billion in total which was withdrawn from the Trust (BP Annual report, 2011).

Regarding the impacts of oil spill on BP, in 2010, the incident resulted in the loss of $3,702 million before tax and interest. Moreover, to ensure the capability for legitimate claims BP had to cancel three dividend payments in 2010. The influences of the incident can also be seen through the dramatic decline of share price from the peak of around 655p on 20 April to the lowest of approximately 300p at the end of April. It is obvious that BP has coped with many litigations and are still preparing for other legal proceedings. More importantly, BP's reputation and trust were seriously damaged, which cannot be measured in monetary terms.

5.3. BP's disclosures reaction to the Gulf Mexico oil spill

The company needs to comply with not only legal requirements but also social expectations to have a "license" to operate (Deegan, 2002). The occurrence of oil spill in the Gulf of Mexico caused the disparity between the society perceptions of BP's activities and BP's conduct. This also means that there was a gap in the social contract between BP and communities where it operates. Therefore, in order to continue its business, BP had to close that gap.

5.3.1. The increases in the extent of disclosures and the thematic changes of disclosures

As can be seen from graph 5.1, the occurrence of oil spill in 2010 led to an increase in the volume of social and environmental disclosures in BP Annual reports, Sustainability reviews as well as Press releases in the year of 2010 and 2011 compared to 2009. More detailed, there were significant increases in the Annual report and Sustainability review, ranging from 67 to 278 sentences for the former and 100 to 277 sentences for the later. This increase continued in 2011 for both types of reports but with a weaker trend. Regarding Press releases, there was also a remarkable increase in level of disclosures in 2010 from 0 to 243 sentences, which was followed by a decrease to 16 sentences in 2011. In general, the oil spill in Gulf of Mexico triggered the level of BP's disclosures.

	2009	2010	2011
Annual report	67	278	291
Sustainability review	100	277	294
Press release	0	243	16
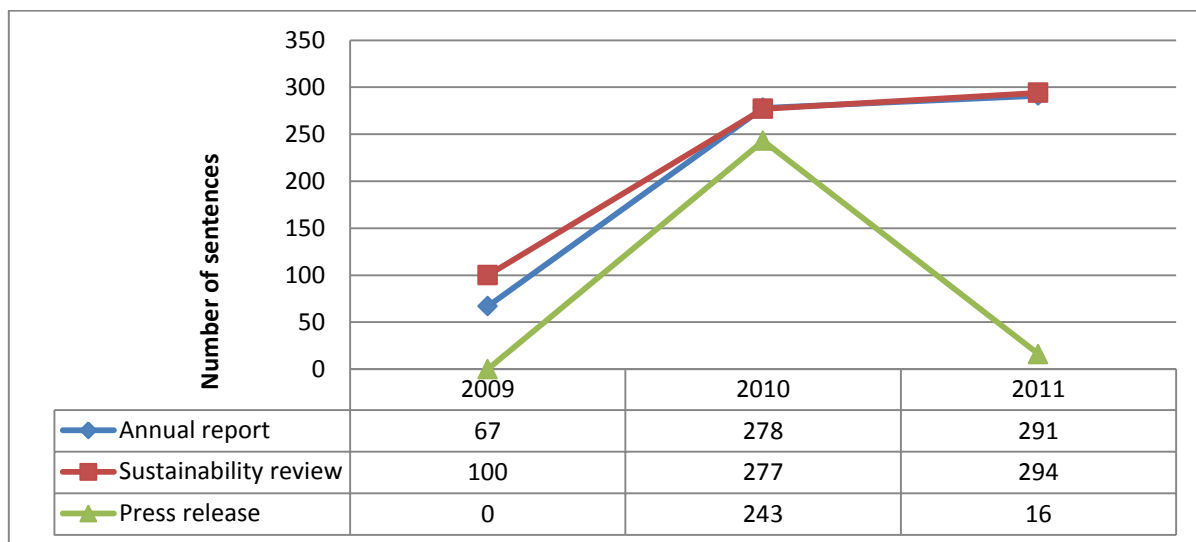
Graph 5.1: The increases of social and environmental disclosures 2009 – 2011

Not only the amount of disclosures went up but also the content of disclosures, which were classified in different themes, changed during the observation period. More details, certain types of information were disclosed more after the happening of the oil spill. From graph 5.2, we can see that the extent of disclosures of theme 3, theme 4 and theme 5 reached their peaks in 2010. These themes are the ones that relate directly to the incident, namely discussions about responses to the incident, commitments towards incident and updated information about the incident. We can acknowledge that these are actions which are required and expected by society right after the occurrence of an incident. The highest amount of these themes in 2010 indicated that BP was seeking to pacify the worry and angriness of the public by informing its immediate appropriate activities to respond to the incident. By disclosing such activities, BP expressed its responsibility through efforts to control and deal with the incident. From this, it seems BP was in its first stage to legitimate its operation.

To continue with the changes of themes, another pattern of disclosures belongs to the group of theme 2, theme 6 and theme 7, whose trend is rising during three years. As can be seen from graph 5.2, information about BP's commitments towards reliable operations, adjustments to improve internal system and supports to communities were disclosed more and more each year. From this, we can perceive that these disclosures are other efforts of BP to legitimate its operation. Only taking responsibility for the incident seems insufficient to ensure the license for continued operation. This is because there is still doubt about the failures in the operation system and concerns about other incidents in the future. In order to be perceived legitimate again, BP has to inform the stakeholders about its changes in management risk system to preclude potential incidents.
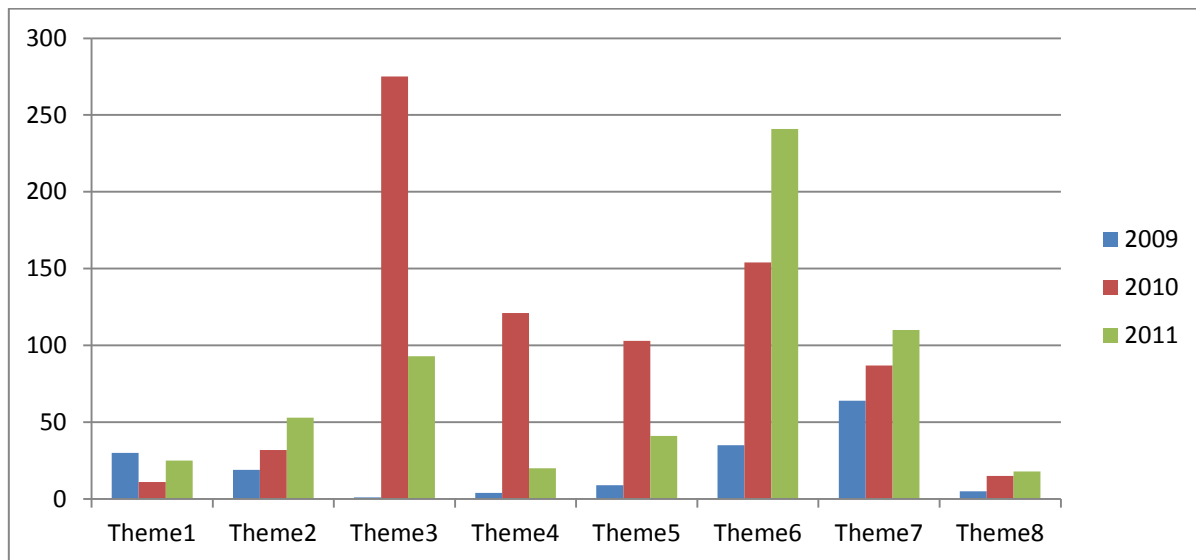
Graph 5.2: The changes of themes of disclosures 2009 - 2011

Besides, stakeholders are also informed more about the inherent risk of BP's industry, which can be seen through the increasing of theme 8 through three years period. Together with corrective actions, BP also tried to explain the difficulty of doing business within the oil industry. With such information, BP partly excused for the occurrence of oil spill which do not totally result from BP's lack of management. In addition, BP can also receive stakeholders' understanding and inoculate stakeholders' defense to potential incidents.

Reflection of BP's disclosure practice

In the case of BP, when stakeholders' concerns about the impact of companies' activities on the surrounding environment has awoken, BP shows stakeholders that sustainable operation and development are also its targets. This can be seen through one of five values that was claimed in BP's Sustainability report in 2009 "*We are committed to the safety and development of our people and the communities and societies in which we operate. We aim for no accidents, no harm to people and no damage to the environment*". BP portrayed itself as a corporate that took into consideration its influences on society and environment. That means expectations was formed and contracts were established with its stakeholders. However, in contrast to BP's statements, the oil spill in the Gulf of Mexico occurred some months after the report was released. The incident in the Gulf of Mexico reflected a different picture of BP, which was in conflict with BP's commitments. According to legitimacy theory, BP did not fulfill the social contract with stakeholders. BP's operations did not meet the expectations of society where it operates. Hence, legitimacy theory gave prediction about the intensive efforts of BP to close that legitimacy gap. It is the fact that BP exerted different communication channels to inform many aspects of its activities. In 2010, when the oil spill had just occurred, all sources of disclosures were employed to disseminate information

about its efforts to respond to the incident, for example containing the leaking oil, cleaning up the oil, compensating for those who were affected, supporting local communities and funding research at the Gulf. In 2011, BP mainly used the Annual report and the Sustainability review. In addition, the focus of disclosures was shifted to improvements of BP's operations. Therefore, it can be said that BP was not simply informing stakeholders about what was going on, it disclosed certain information with specific purposes. In other words, the increases in amount of disclosures were utilized to manage pressures and challenges rising from the incident.

In summary, legitimacy theory asserts that a company seeks to be perceived in bounds of norms and social values in order to be conferred needed resources. The company can gain the right for such resources via disclosure practices. From the above analysis, we can perceive that the reaction of BP's disclosures is in line with the concept of legitimacy theory. More precisely, the oil spill caused incongruence of social expectations and BP's behaviors, which threatened BP's license for ongoing operation. Therefore, efforts were devoted to BP's disclosure practices to legitimate its activities.

5.3.2. The variations in disclosure strategies of BP

Observing the extent of BP's disclosures reveals the fact that the oil spill in 2010 actuated an increase of BP's disclosures. Besides, another interesting thing to investigate is that whether BP employed different communication strategies to serve its legitimacy purposes. The following section will illuminate BP's disclosure strategies in each period of time and the patterns of using disclosure strategies in different types of sources.

5.3.2.1. The differences in the allocations of BP's disclosure strategies in the period of 2009–2011

As shown in graph 5.3 below, before crisis, the dominant strategy was Association strategy. However, after the occurrence of the incident, Compliance strategy became the most used strategy in both years 2010 and 2011. A striking feature to mention is that although BP employed Association strategy more than others in 2009, the different in frequent use of each strategy was quite small. In contrast, in the two subsequent years, we can see a high emphasis on Compliance strategy, especially in 2010. Details on how each strategy which was employed by BP will be illuminated in the following parts.

	2009	2010	2011
■ Compliance	50	527	365
■ Distance	5	40	34
■ Association	78	85	118
■ Combination	33	37	54
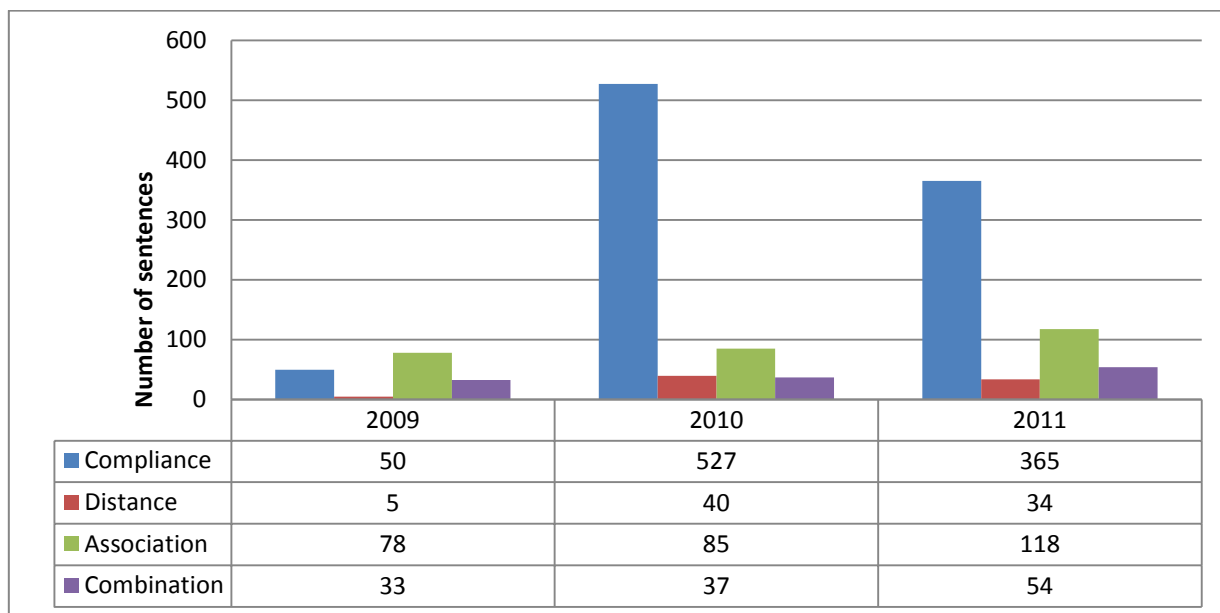
Graph 5.3: The pattern of disclosures strategies 2009 – 2011

5.3.2.2. The pattern of BP's disclosure strategies in 2009 - before the incident

In 2009, while transferring BP contractors from Miller oilfield to Aberdeen, a Super Puma helicopter crashed, which led to the death of all 16 people aboard. However, external actor Bond Offshore Helicopters was responsible for this incident. Apart from the above accident, there were no other incidents that had the involvement of BP in 2009.

During this year, Association strategy with the focus on Ingratiation strategy was used the most. In addition, a skillful combination of strategies was exerted to deliver a picture of a trustworthy BP. Disclosure practices in this period were mainly used to compare with two later years and will be illustrated as following.

The employment of Association strategy in 2009 – the dominant strategy with the emphasis on pleasing stakeholders

Association strategy with the focus on Ingratiation strategy was utilized to convey the message of a responsible corporation which goes beyond the obligation of law. BP informed audiences about its activities to support local communities *"We seek to make a positive difference wherever we operate. To do this, we take action that is relevant to local circumstances, mutually beneficial and designed to create enduring, as opposed to short-term, solutions. Our investments in education and local enterprise development aim to build local capability as part of our business agenda, either through our local employees or through the provision of goods and services"* (BP Annual report, 2009 p51). Together with efforts to please stakeholders by voluntary appropriate behaviors, BP also emphasized its reliable operation which was approved through improvements in safety metrics and an award for its performance *"Creating a safe and healthy working environment is essential for our*

success. Since 1999, injury rates and spills have reduced by approximately 75%" (BP *Sustainability Review, 2009 p25)* and *"BP Canada's Noel project, a natural gas development in north-east British Columbia, aims to minimize environmental impact and benefits the local economy [...] The Noel project received the Best Practice Award at the 2009 World Gas Conference for its work on reducing surface footprint and CO2 gas development"* (BP *Sustainability Review, 2009 p21).* By combining these two realms of information, BP gives an impression to readers that BP not only is good at its core business but also cares about its impacts on local communities. The focus on using Ingratiation strategy helps BP pictures itself as a corporate citizen that has concern about its impacts on the surrounding environment and takes actions to deal with these matters.

The employment of the combination of Association strategy and Compliance strategy in 2009 – a skillful juxtaposition of strategies which can more effectively help increase stakeholder trust

As defined in previous section, Association strategy is used to create links between a company and positive behaviors that are highly valued by stakeholders while Compliance strategy serves to express the company's conformity with social expectations. Therefore, combining these two strategies can create higher effect in earning trust and belief of readers. This is because on the one hand the company discusses its obedience to society's requirements or non-requirements via commitments or adjustments in operations; on the other hand it presents the result of such commitments through progresses or achievements. By disclosing in this way, the company's accomplishment is an effective evidence to verify its statements. In other words, the company subtly proves that its actions are following it words and that it can be trusted by stakeholders.

This strategy was also employed by BP, especially before the occurrence of the oil spill, the second most used strategy. In the section question and answer of Group chief executive, which was located in the first part of the Annual report 2009, Tony Hayward presented *"Our priorities have remained absolutely consistent – safety, people and performance – and you can see the results of this focus with improvements on all three fronts [...] Achieving safe, reliable and compliant operations is our number one priority and the foundation stone for good business. This year we achieved a reported recordable injury frequency of 0.34, an improvement of 20% over 2008 [...] This represents good progress and we must remain absolutely vigilant"* (BP *Annual report, 2009 p6).* From his answer, we can realize that he first of all reminded stakeholders about BP's past commitments and then demonstrated the accomplishments of such commitments. The message conveyed in his answer went beyond expressing BP's conformity to stakeholders' expectations. It helps to consolidate stakeholders' belief because it is the fact that BP had promises and fulfilled its statements.

The employment of Compliance strategy in 2009 – conveying the message of obedience to social norms

Before the oil spill, Compliance strategy was in the form of delivering commitment messages and demonstrating improvements in operation management system. BP started its Sustainability review with these statements *"We are committed to the safety and development for our people and the communities and societies in which we operate. We aim for no accidents, no harm to people and no damage to the environment [...] We deliver on our promises through continuous improvement and safe, reliable operation [...] We aim to do this while operating safely reliably and in compliance with the law" (BP Sustainability Review, 2009).* By using words such as "commit" and "aim", these above statements had nature of promising and in some ways, BP created expectations in stakeholders. Furthermore, BP also asserted to stakeholders that it did care for its surrounding environment and these concerns were embedded in BP's strategy and operations. Through these commitments, BP sought to be aligned with social expectations and enhanced the image of responsible corporate.
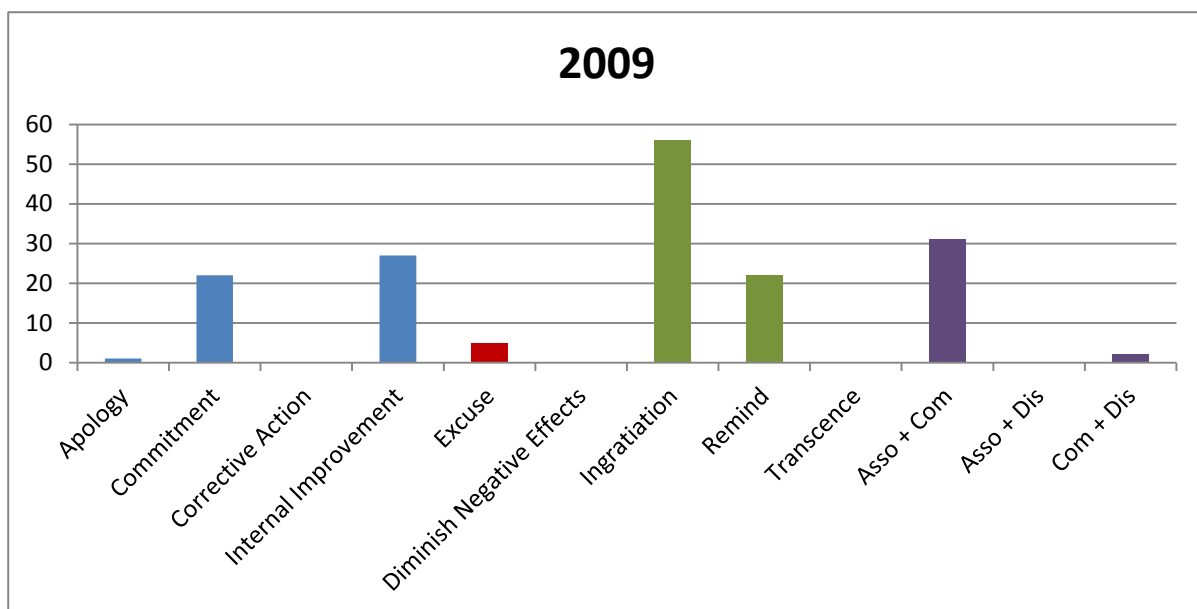
Graph 5.4: The distribution of disclosure strategies in 2009

Reflection on disclosure practices of BP in 2009

There was no event which endangered BP's operational license in the year of 2009. That means BP was in its normal business life and in the task of maintaining its current legitimacy. Disclosure strategies in this period were mainly exerted to ingratiate stakeholders with information about its supportive activities. Together with that, BP also reminded stakeholders of past achievements in operation and promised for future. The pattern of disclosure strategies is also expressed through the distribution of themes in 2009 (Appendix 1, graph 1.1 and 1.2). As can be seen from graph 1.1 (Appendix 1), theme 7 together with theme 1 occupy more than half of total social and

environmental disclosures in all resources. These two themes can be seen as reflection of Association strategy. The other two themes taking up to 30 percent are theme 6 and theme 2 which are a representative for Compliance strategy. Through pattern of both themes and strategies, we can perceive that BP on the one hand preserved its current legitimacy by reminding stakeholders about positive activities and improvements. Reiterating past positive behaviors and achievements is a way to consolidate its reputation and build stakeholders' defense against any potential incident in the future. On the other hand, BP also demonstrated its continuous efforts towards safety operations. From this, it seems that BP's disclosure practices are following Suchman's suggestions regarding the task in maintaining legitimacy.

5.3.2.3. The pattern of BP's disclosure strategies in 2010 - during the incident

During this period, we witness high dominance of Compliance strategy with heavy concentration on Corrective action strategy. Comparing with the past year, the employment of Association strategy decreased significantly. Besides, to reduce negative impacts of incident, the sophisticated and skillful combinations of certain strategies in BP's disclosures can also be traced, which replaces the prevalent combination of Association and Compliance in 2009. Details about the picture of disclosure strategies of BP will be illustrated as follows.

The employment of Compliance strategy in 2010 – the most used strategy which delivers message of taking responsibility through disclosing response activities

At the very beginning of both in the Chairman's letter and Group chief executive's letter of Annual report, Apology strategy was exerted. BP started with repentant statements in larger font informing the happening of oil spill, for example, *"2010 was a profoundly painful and testing year. In April, a tragic accident on the Deepwater Horizon rig claimed the lives of 11 men and injured others. Above all else, I want to remember those men, and say that our thoughts remain with their families and friends. BP's priority is to ensure that the people who work for us, and with us, return home safely. The accident should never have happened. We are shocked and saddened that it did"* (BP Annual Report 2010, p6). In these sentences, BP expressed its sorrow and presented condolences to the family of loss workers. In addition, BP also attempted to say that BP did care about safety in its operations and safety was put as the prerequisite for any activities of its employees. Nevertheless, the oil spill occurs despite its efforts and intentions. The oil spill was described through the word "shock", which seems to again emphasize the unexpectedness and uncontrollableness of the event.

Then the large part of disclosures was occupied by Corrective action strategy. This disclosure strategy was in the form of taking actions to contain the spill, handling aftermaths of the incident and offering compensation for victims. BP claimed that *"BP has committed to pay all legitimate*

claims by individuals, businesses, and governments and has established a $20 billion trust fund, following consultation with the US government, to provide funds for that purpose […]" (BP Annual report, 2010 p19) and *"BP was determined to respond swiftly and fairly to claims from individuals, businesses and governments entities. Most claims were from people or business reporting a loss of income or profit as a result of the spill"* (BP Sustainability review, 2010 p9). Through these disclosures, BP said to stakeholders that BP promised to remediate the oil spill's consequences and would do it with convenience. BP firstly used the word "commit" and then "determined" to demonstrate its promise, which made its statements become more decisive and created belief in audiences. In addition, BP also disclosed its activities to help revive the economies of the affected region *"BP has also provided funding to promote tourism and seafood safety – two cornerstones of the Gulf coast economy – and has worked closely with state and local leaders to restore the economic health of the region"* (BP Annual report, 2010 p39).

The employment of Association strategy in 2010 – seeking the understanding and tolerance of stakeholders

During this period, Association strategy took a small percentage in BP's disclosure strategies and was expressed in different forms comparing with the previous year which was mostly about community support. To be detailed, BP reminded stakeholders about positive accomplishments in operations with clear emphasis on drilling *"Before April 2010, BP had drilled safely in the deep waters of the Gulf of Mexico for 20 years. The governments of Egypt, China, Indonesia, Azerbaijan and the UK have shown confidence in our ability to operate safely at depths, having signed new deepwater drilling agreements with us in the second half of 2010"* (BP Annual Report, 2010 p11). Moreover, we subtly experienced BP's flagrancy when it sought to rationalize the oil spill by placing the incident in larger and acceptable context *"It is important to remember why companies such as BP have to take on the risks they do […] Global energy demand continues to rise, so the world needs BP and others to meet these challenges in a sustainable way. In doing this, we can never eliminate every hazard, but we can become an industry leader in understanding and limiting risk"* (BP Annual Report, 2010 p11). These phrases were placed in the first part of BP reports, Group chief executive's letter. It seems that BP attempted to offset impacts of the incident by saying that BP did have good records in safety operations and the growing energy demand increases BP's operational risks. Although BP has risk management system in place, an accident can still happen because now BP works with a more sensitive environment. From the above explanation, the oil spill appears to be more understandable and acceptable.

*The employment of Distance strategy in 2010 – lessening company's direct responsibility towards the incident*

Although BP expressed its responsibility to the incident, Distance tactic was utilized to minify its direct responsibility for the oil spill. BP sought to do it by many ways. Firstly, BP mentioned many times in its reports that there were many factors that contributed to the incident and also emphasized that this result was proved by both internal and external investigations *"Our investigation report was published on 8 September 2010, and found that no single factor caused the accident. The report stated that decisions made by multiple companies and work teams contributed to the accident, and these arose from a complex and interlinked series of mechanical, human judgement, engineering design, operational implementation and team interface failures" (BP Annual report 2010, p10).* This information was placed at the very beginning of report, namely in both Chairman's and Group executive's letter, where it could easily catch the attention of readers. Furthermore, by repeating such information, BP implied that the incident did not totally result from BP's operations. Besides, BP attempted to approve that the oil spill did not have huge impacts on society and environment as being thought by giving out test results about air quality, water and seafood, for example, *"BP, the US Coast Guard, the EPA and other government agencies tested numerous samples of water and sediments for oil and dispersant, and implemented a comprehensive air-quality and monitoring programme. More than 16,000 air samples were taken during the response; EPA found pollutions levels well below levels of concern for long term health effects related to the spill"(BP Sustainability Review, 2010 p12).*

The employment of the combination of Association strategy and Distance strategy in 2010 - a skillful juxtaposition of strategies which can more effectively help reduce company's responsibility for the incident

The function of Distance strategy is to reduce a company's responsibility towards the incident. However, it will be quite hard to receive the sympathy of stakeholders if the company just always makes excuses for its activities which cause huge negative impacts. Therefore, it can be more convincing to stakeholders if the company presents its progress in performance together with excuses. This is because by doing that stakeholders can perceive that the company actually has improvements but maybe the risk in this industry is too high to eliminate all work-related accidents. Company can achieve that by combining Association with Distance strategy.

In 2010, we experience another communication strategy of BP which is the integration of Association and Distance strategies. We can see the utilization of this strategy by BP at the beginning of Group chief executive's letter, *"Yet, just days before the accident, I had been reflecting on the progress made by BP. The company had put safe and reliable operations at the*

centre of everything, and we had turned a corner on financial performance. Then, came the unthinkable. A subsea blowout in deep water seen as a very, very low-probability event, by BP and the entire industry- but it happened" (BP Annual Report, 2010 p10). By conveying this message, BP seemed to remind stakeholders that it has made many improvements in safety. However, the oil spill in Gulf was unpredictable for not only BP but also the whole oil industry. Thus, although BP had made progress, it was not enough to prevent this incident from happening.
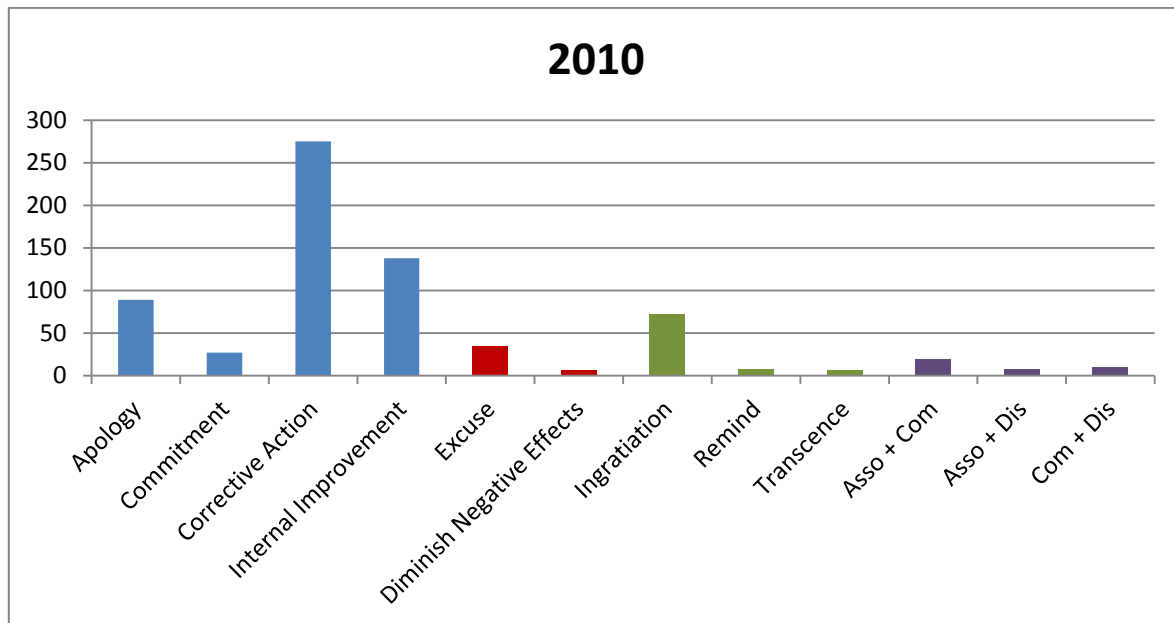
Graph 5.5: The distribution of disclosure strategies in 2010

Reflection on disclosure practice of BP in 2010

During 2010, from the time oil spilled in the Gulf of Mexico, the social contract between BP and its assigned society was holed. This means BP was in the phase of repairing its legitimacy. The dominant disclosure strategy was Compliance with the emphasis on Corrective action strategy. BP exerted this to firstly express it regret and apology and then mainly conveyed the message of taking responsibility for the incident. This pattern of utilizing communication strategies also is expressed through the distribution of themes in 2010 (Appendix 1, graph 1.3 and 1.4). Detailed, the total of theme 3, theme 4 and theme 6, which can be seen as reflection of Compliance strategy, take up to 70 percentage of total social and environmental disclosures. Association strategy occupied a smaller percentage comparing with that of 2009. Besides, although BP showed stakeholders that it acknowledged the impacts of the incident and promised to take actions, BP also attempted to reduce its direct responsibility for the oil spill with excuses. From disclosing practices illustrated above, we perceive that the occurrence of the oil spill caused the changes of BP's communication strategy. Instead of self-praise with disclosures mainly about community support, BP put more focus on dealing with the oil spill, overcoming consequences of the incident and supporting related

parties. This reaction of BP's disclosure practice reflects efforts to legitimate its operations when there is incongruence of its behaviors and social values. BP responds in the way stakeholders expect and then discloses its activities. According to legitimacy theory, to receive the license for ongoing operation or close a legitimacy gap, a company needs to be perceived as obeying societal norms and we can find that BP's responses was in the concept of legitimacy theory.

5.3.2.4. The pattern of BP's disclosure strategies in the year of 2011 - after the incident

One year after the oil spill, the dominant disclosure strategy is still Compliance strategy. More detailed, Internal improvement strategy was employed the most. In 2011, we see the resurgence of Remind strategy even if this strategy just took up small percentage. In addition, the more prevalence of combination between Compliance and Distance strategy can also be found. The pattern of disclosure strategies was described as follow.

The employment of Compliance strategy in 2011- the most used strategy which delivers message of a receptive corporation through disclosing improvement in management risk

In the first page of Sustainability review BP stated that *"In this Sustainability Review, we look at how we are working to enhance safety and risk management, earn back trust and grow value, following the Gulf of Mexico accident" (BP Sustainability Review, 2011).* Similarly, large percentage of social and environmental disclosures in Annual report was devoted to present changes in its operational systems *"Following the tragic events in the Gulf of Mexico in 2010, we initiated a wide-ranging programme designed to enhance safety and risk management within the group, earn back trust and restore value. Much was achieved in 2011, but there is a great deal more to do" (BP Annual report 2011, p36).* The actions included strengthening safety and reducing operational risk, reviewing risk management, restructuring upstream, refreshing values and behaviors, aligning individual performance with reward to enhance safety, managing contractor and joint ventures partners with caution. Together with the focus on informing progresses in internal operations, BP also updated the status of its response processes which according to BP was shifted to the phase of restoration. From this pattern of disclosure strategy, we perceive that BP was actually proactive in disclosing information concerning the changes in operation system. By doing so, BP implied that BP is a corporation which takes full responsibility for what it did and is willing to change if anything wrong happened.

In addition, after the crisis, audiences can trace more of BP's promises of delivering better performance. In Chairman's letter, BP began with a solid commitment about ensuring safety in operations *"[…] I want to make it absolutely clear that we do not seeking a return to business as usual […] As we move ahead, our job is to make BP a stronger, safer company but further*

embedding safety at the heart of the company" (BP Annual report, 2011 p16). Besides, BP sought to express that it not only obeys current social expectations but also promises to deliver more than what are expected. This can be seen in BP's 10 point plan with the first mention being safety and managing risk *"We are determined that BP will deliver world-class performance in safety, risk management and operational discipline. We will be a company that systematically applies our global standards as a single team" (BP Annual report 2011, p38).* BP was in effort of building a better image, a more compliant BP. From this, BP was re-cultivating belief in stakeholders.

The employment of Association strategy in 2011 – discussing achievements in safety operation to rebuild its image

As in 2010, Association strategy is employed at the beginning of Annual report both in Chairman's and Group executive's letter. BP reminded stakeholders of its achievement in exploration license during 2011. BP also issued a press release to inform about this positive result *"BP today announced that it has been awarded two deepwater exploration and production blocks by the Government of the Republic of Trinidad and Tobago"(BP Press release, July 2011).* Besides, BP informed stakeholders about the permission to continue its explorations at Gulf of Mexico *"We had our best year for a decade in terms of access to new upstream opportunities, with awards for a total of 55 new exploration licences. We also gained approval for our exploration plan for the Kaskida field in the Gulf of Mexico – our first drilling permit for an exploration well in the US since the Deepwater Horizon oil spill" (BP Annual report, 2011 p39).* From this, BP seems to convey the message that its operation is improved and this is evidenced through this record.

The employment of the combination of Compliance and Distance strategy in 2011 - a skillful juxtaposition of strategies which can strongly express conformity to social expectations and effectively protect from future incidents

The function of Compliance strategy is to express company's obedience to stakeholders' expectation to receive their approval. That support will be more solid if stakeholders acknowledge the efforts which company goes through to satisfy with stakeholders' demands. Company can gain that support by discussing difficulty in its business and then demonstrating its determination and actions to deal with these matters. Company can do this through the combination of Compliance strategy and Distance strategy.

During this period, readers experience more this strategy, the combination of Excuse and Commitment strategy. BP firstly presented inherent risks of its industry and then expressed its promises to take actions to prevent such risks, for example, *"The nature of the group's operations exposes us to a wide range of significant health, safety and environmental risks such as incidents*

associated with the drilling of wells, operation of facilities, transportation of hydrocarbons and product quality. In addressing these risks we seek to apply our operating management system (OMS) including group and engineering technical practices as applicable [...]. To better manage the risks inherent in drilling wells where we are the operator, we conduct activity through a global wells organization that is accountable for systems and processes for designing, constructing and managing wells" (BP Annual report, 2011 p46). With this pattern of disclosing, BP expressed its obedience to society's expectations even if that task is not easy to handle. Besides, BP also tried to protect itself from future incidents by highlighting in advance potential risks that can cause incident even in the case that it implemented risk control systems.
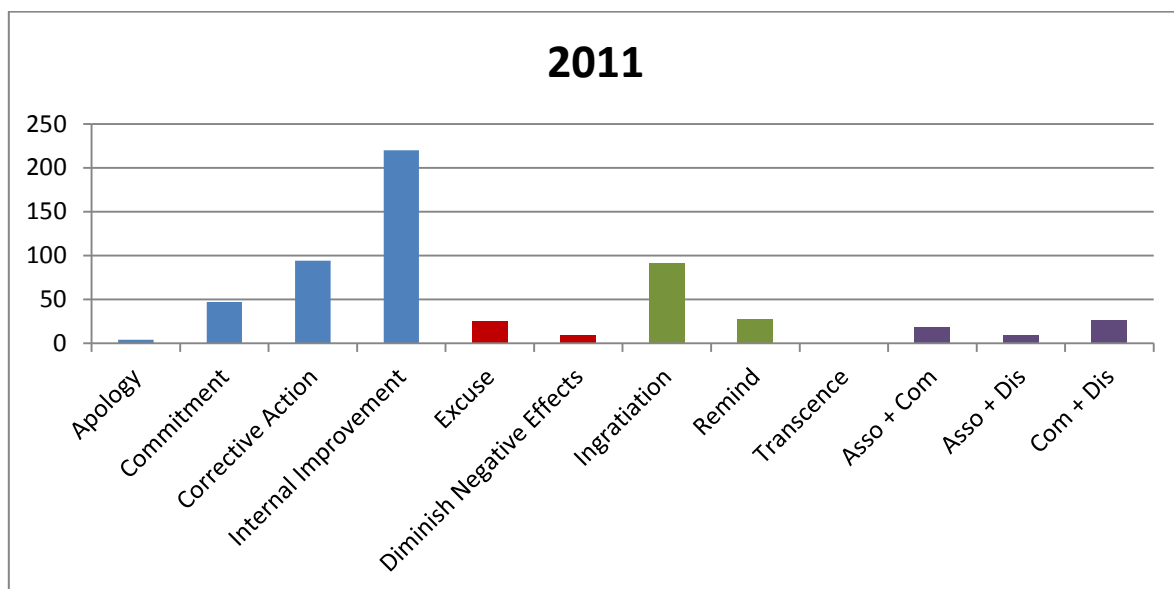
2011

Graph 5.6: The distribution of disclosure strategies in 2011

Reflection on disclosure practice of BP in 2011

One year after the occurrence of the oil spill, BP is now in the phase of regaining "operational license". To earn back stakeholders' trust, BP employed Internal improvement strategy to inform about changes in its operations. This strategy is complemented by Association strategy when BP reminded of its achievements during the year together with supportive activities that go beyond legal obligations. Furthermore, BP also delivered more commitments comparing with 2010 to stakeholders. This pattern of exerting communication strategies can be seen through the dominant distribution of theme 6 (40%) and the total of 20% for theme 7 and theme 1 (Appendix 1, graph 1.5). From this disclosure pattern, it is obvious that the oil spill in the Gulf still has influence on BP's disclosure practice. BP still exerted Compliance strategy but the focus was shifted from dealing with crisis to improving operation systems. By doing this, it seems that BP tries to prove to

stakeholders that it has significant progress in safety operations, hence, stakeholders can believe in BP with its relentless efforts. The changes of BP's disclosures this time again approve the notion of legitimacy theory, which is a company need to ensure the congruence between its activities and social norms.

5.3.3. Disclosure strategies of BP in different types of sources.

As can be seen from three graphs below, there is the same feature among all of them. This is, Compliance strategy is the dominant strategy in all sources. However, apart from that common feature, it seems to be that each type of report has its own job regarding conveying messages to stakeholders, which can be seen through the distribution of the rest of the disclosure strategies. More detailed, while Association strategy is employed more in Sustainability review, Annual report exerts more Distance strategy. Another worthy thing to mention is that while observing press releases, the changes of disclosure strategies during a year can be traced. Details about disclosure strategy in each type of resource will be discussed below.

5.3.3.1. The differences in disclosure strategies between Annual report and Sustainability review

As shown in the first two graphs, Ingratiation strategy was utilized more in Sustainability review while Annual report employed more Excuse strategy. For example, concerning about the publicly disseminating experience that BP earned during the oil spill response process, BP mentioned such information only one time in Annual report 2011 while the frequency of appearance in Sustainability review 2011 is five times. That means the more attention and emphasis of that matter was put in the Sustainability review. Another example is about community support disclosures. BP usually just presented general information about those issues in Annual report while in Sustainability review it also mentioned specific communities and BP's activities at those communities. For instance, comparing the content of Annual report and Sustainability review in 2009, we can trace one headline, "Tangguh and Sustainability", in Sustainability review was devoted to discuss its help in Tangguh. However, when BP discussed cause of incident, higher amount of information can be traced in Annual report than in Sustainability review.
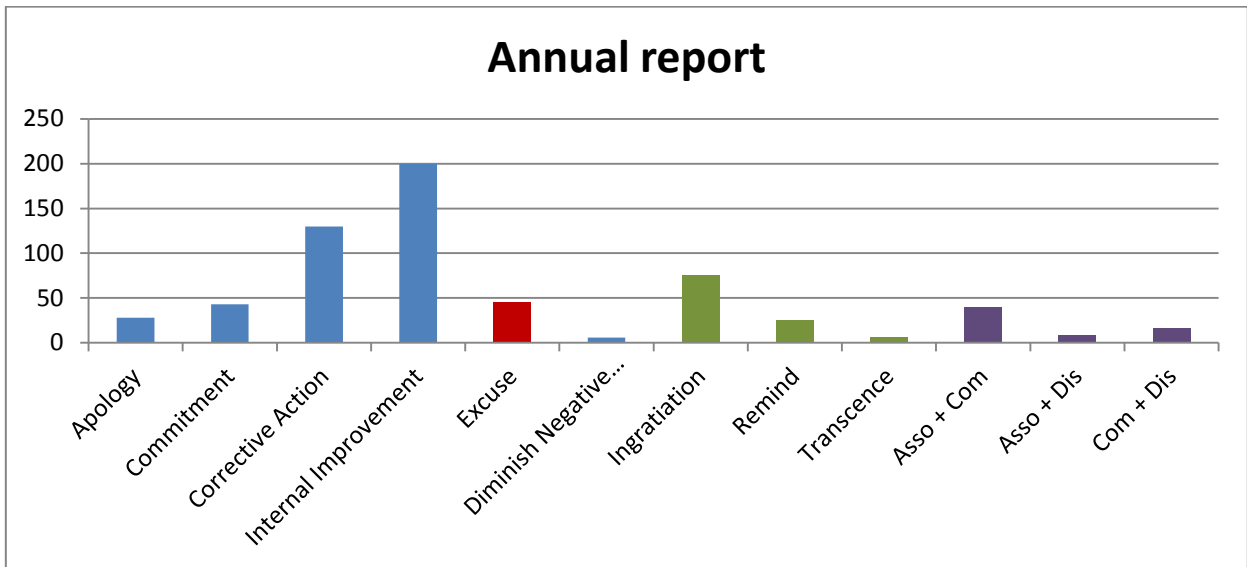
Graph 5.7: The pattern of disclosure strategies in Annual Report 2009 - 2011
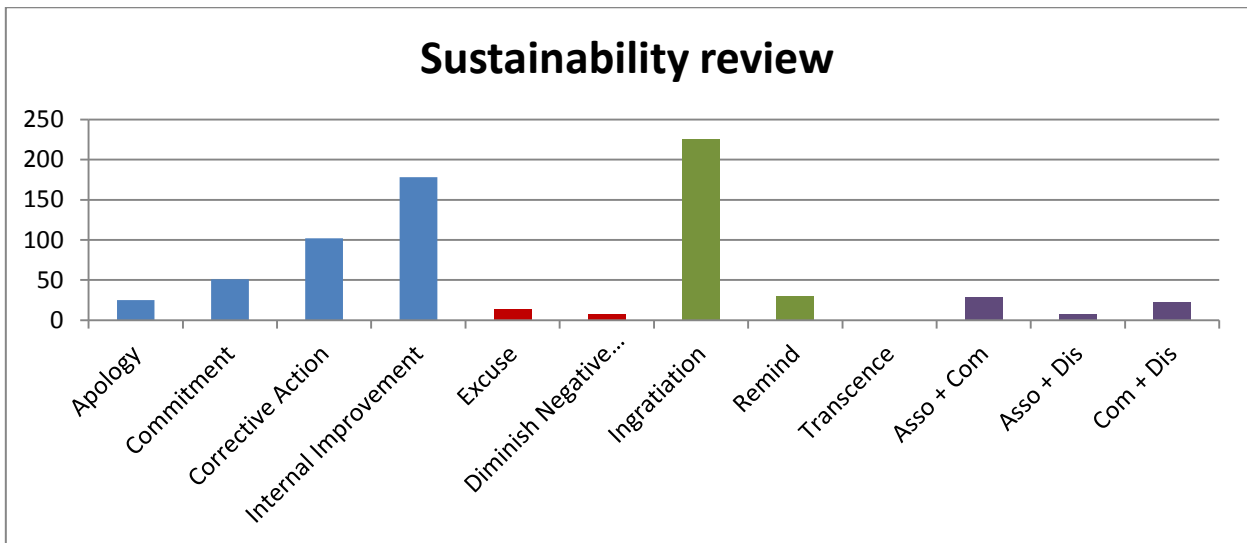
Graph 5.8: The pattern of disclosure strategies in Sustainability Review 2009 - 2011
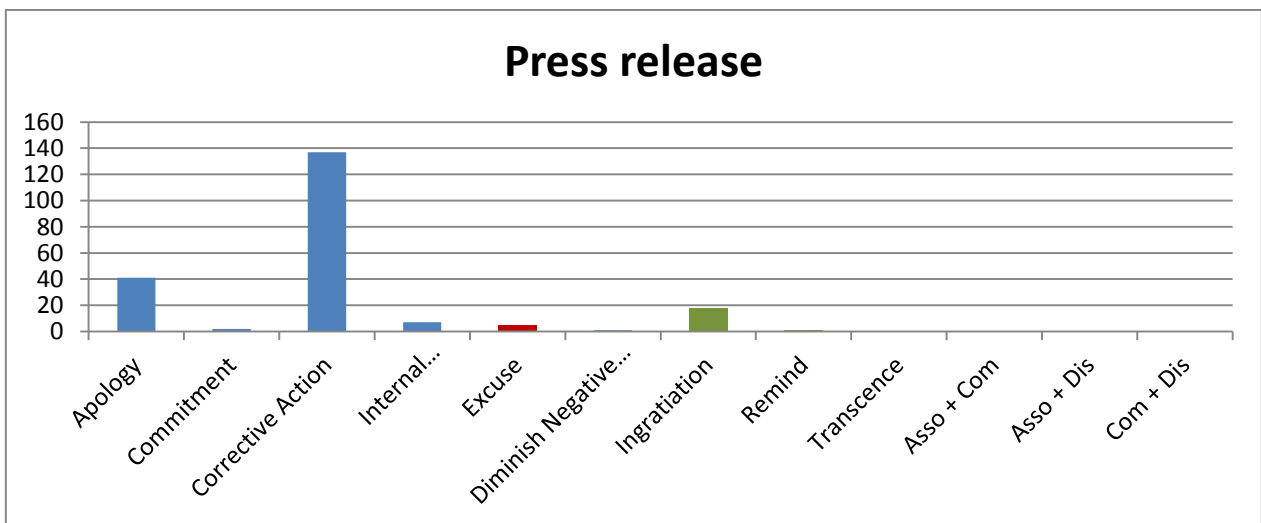
Graph 5.9: The pattern of disclosure strategies in Press Release 2009 – 2011

In addition, investigating the content of Compliance strategies in Annual report and Sustainability review, we also realize that in Sustainability review, most of BP's activities about the job of overcoming consequences of the oil spill were mentioned together with organizations that have high legitimacy such as specialists, US Food and Drug Administration, the US National Oceanic and Atmospheric Administration, US Coast Guard and US government. It seems to be that BP was trying to legitimate all of its response and avoid any potential criticism, for example, *"...BP, working closely with specialists from many companies, governmental agencies and academia, tackled the leak in multiple, parallel ways. After the accident, teams immediately set to work to stop the leak at the source, plan relief wells and develop a suite of options to stop, contain and recover the flow..." (BP Sustainability Review, 2010 p8)* and *"BP tackled the leak at its source in multiple, parallel ways, which over time included: attempting to fit caps on the well, using containment systems to pipe oil to vessels on the surface, sealing the well through a static-kill procedure and drilling relief wells [..]" (BP Annual report 2010, p34).*

5.3.3.2. The alteration of disclosure strategies during a year in Press releases

Examining the content of BP's Press releases in 2010, we can realize that there were changes in disclosure strategies. In the beginning, BP's disclosures seemed to faintly distance itself from the incident by discussing the cooperation with other parties in drilling at the Gulf and using words such as "support", "assist", "offering its help" when disclosing information about the oil spill *"BP today offered its full support to drilling contractor Transocean Ltd. and its employees after fire caused Transocean's semisubmersible drilling rig Deepwater Horizon to be evacuated overnight, saying it stood ready to assist in any way in responding to the incident [...] BP, which operates the license on which Transocean's rig was drilling an exploration well, said it was working closely with Transocean and the U.S. Coast Guard, which is leading the emergency response, and had been offering its help - including logistical support" (BP Press release, 21 April 2010.*

Then the focus of BP's Press releases was shifted to containing oil, compensating for victims and these were also the dominant topics of subsequent press releases. From this, it seems BP attempted to align its activities with social expectations by exerting Corrective action strategy. BP's disclosures can be as follows *"The team on the ground and those at sea have the Group's full resources behind them" (BP Press release, 25 April 2010)* and *"Today BP reiterated its pledge to clean up the oil and gas spill in the Gulf of Mexico and to pay all legitimate claims arising from the spill, even though another party already is disputing its responsibility for costs associated with the Deepwater Horizon incident and the resulting spill" (BP Press release, 18 June 2010).*

CHAPTER 6: DISCUSSIONS, CONCLUSIONS AND FUTURE RESEARCH

This chapter presents the findings of the study and conclusions from the case study of BP. Limitations of the study and suggestions for future research are also discussed

In order to receive the license to operate, the company's conduct needs to meet social expectations. To show that conformity, disclosures can be used to transmit information to stakeholders. Through such disclosures, company can employ various strategies to gain its legitimacy purposes (Deegan and Unerman, 2006). Accordingly, this study examines the reaction of BP's disclosures when it faced an unforeseen event - the oil spill in the Gulf of Mexico in 2010.

6.1. How do BP's disclosures react to the oil spill in Gulf of Mexico?

According to legitimacy theory, when there is a disparity between social norms and company's activities, the company will take actions to close that gap. This effort requires the use of disclosures, whose function is to disseminate information to stakeholders (Deegan and Unerman, 2006).

Observing BP's disclosures from 2009 to 2011, we see that the oil spill in the Gulf of Mexico influenced the extent of disclosures and the content of disclosures as well. As discussed before, the amount of disclosures dramatically increased in 2010 and 2011. All of BP's responding activities to the accident were reported to stakeholders. From legitimacy theory's perspective, the reaction of BP's disclosures is the evidence of BP's effort to legitimate its operations. As we know, the occurrence of the oil spill caused huge impacts on society and environment, which required BP to have immediate responses and responsible behaviors afterwards. Therefore, as a company that needs society's support to do business, BP informed stakeholders about its activities to contain the oil, compensate for victims and restore affected environment. With these disclosures, BP sought to be in line with social expectations which are taking responsibility for its conduct. Deepening into the content of BP's messages, we can trace the difference in the focus of disclosures between 2010 and 2011. In other words, the amount of information on specific topic increased at certain year. BP emphasized its responding activities in 2010 while more information about its internal improvements was disclosed in 2011 (Appendix 1, from graph 1.3 to 1.6). One year after the oil spill in the Gulf, when response activities are basically finished and all legal processes are being handled, stakeholders will concern more about how BP works to preclude potential accidents. As legitimacy theory asserts social expectations are not fixed but changes through time, hence, to comply with such expectations, a company's disclosures will also change. This shifting of focus in BP's disclosures on disclosures again expressed BP's effort to be perceived legitimate.

Not just the extent of disclosures, the reaction of BP's disclosures can also be seen through the use of disclosure strategies. Before the accident, BP mainly employed Ingratiation strategy to deliver the image of a corporate citizen that took into account society's concern and dealt with its impacts on related communities. However, the oil spill in the Gulf influenced BP's legitimacy status and society's expectations of BP's behavior also changed. As a result, we can see the changes of BP's disclosure strategies after the incident. BP employed Compliance strategy the most in 2010 and 2011 with the focus of Corrective action strategy for the former and Internal improvement strategy for the later. BP portrayed itself as corporation that took responsibility for its conduct, namely the occurrence of the Gulf of Mexico oil spill and then was willing to correct its operation systems. The changes of BP's disclosure strategies from the year of 2009 to 2010 and from the year of 2010 to 2011 are other evidences for the efforts to legitimate its operation. Furthermore, there are consistent patterns of changes in themes and disclosure strategies regardless of the different analyzing approaches. As shown from appendix 1, such consistency can be seen through all three years and each type of reports.

Apart from the above general reaction, there are subtle differences in reactions of each type of reports. In other words, the choice of disclosure strategy for the type of report can relate to the target stakeholder groups. From BP Annual reports and Sustainability reviews, it seems that BP attempted to manage different stakeholder groups via these two types of reports. In Annual report, together with complying stakeholders' expectations, BP tried to excuse its conduct regarding impacts on the surrounding environment. By doing this, BP seemed to aim at the stakeholder groups which BP had the support of before, for example investors. The argument is that when company already has the trust or belief of certain groups, it can be more persuadable to excuse, for example by discussing risks in operations, and then easier to receive the understanding and acceptance from them. However, concerning Sustainability review, Compliance strategy was employed together with Association strategy. With such combination, BP sought to demonstrate as many of its good deeds as possible. It seems that BP attempted to earn support and approval from its "new" stakeholders or adverse stakeholders, for example authoritative or environmental parties. This speculation was more validated through the pattern of attaching high legitimate parties in its disclosures when discussing its response activities in Sustainability review. By doing this, BP seemed to avoid criticism mainly from adverse stakeholder groups by implying that all of its activities were under observation and supervision of legal parties. Shortly, from BP's disclosure patterns in Annual report and Sustainability review, we can subtly perceive that BP used different disclosure strategies in different reports to target different stakeholders. Applying Mitchell's framework, we may have prediction for the target stakeholder groups of BP Annual report and

Sustainability review. As discussed in theoretical framework, Mitchell suggested that a stakeholder group which possesses more attributes, namely power, legitimacy and urgency, will be prioritized to manage its demands. We can infer that the occurrence of the oil spill influences the salience of certain stakeholder groups to BP. From Mitchell's framework, the author speculates that stakeholder groups that BP targeted in Annual report and Sustainability was investors for the former and governmental authorities, environmental organizations for the later. Investors who already have power attribute will gain salience due to the fact that BP really needs their continued support for its operation. In the case that investors have high concern about social and environmental issues, their claims will be more salient because they possess all three attributes at that time. Similarly, the increase in salience of the later groups can be caused by the adding of urgency attribute to the legitimacy attribute in their claims.

As we know, Annual report and Sustainability review are published once per year after the fiscal year ends. Therefore, messages or disclosure strategies in these two documents are prepared in a more structured and purposeful way. In other words, the minute variation in disclosure strategies will be hard to trace during a year. This is because it can be eclipsed by the dominant strategy. In contrast, press releases can have better reflection of any alteration during a year. In the case of BP, although in all sources Compliance strategy was the dominant strategy, observing Press releases we also perceive that Compliance strategy was not actually the strategy that was employed immediately by BP. BP firstly attempted to distance itself from the direct responsibility and then shifted to use Compliance strategy for the larger part.

6.2. What can we infer from the case of BP?

In this study, BP's disclosures were examined to reveal how they react to the occurrence of the Gulf of Mexico oil spill. The disclosure practice of BP exposes some following features.

The reactions of BP's disclosures were the evidence of efforts to legitimate its operations. BP intensively employed Annual reports, Sustainability reviews and Press releases to communicate with stakeholders concerning its conduct. BP disclosed to express its compliance with social values which changed through time. After the oil spill in the Gulf of Mexico, the extent of BP's disclosures in all types of reports increased, especially in the year of 2010.

In addition, investigating BP's pattern of disclosure strategies, we can infer that when maintaining current legitimacy, BP mainly used Association strategy to enhance its image. Through disclosures, BP praised itself by the forwards activities to the surrounding environment. However, for the purpose of repairing and regaining legitimacy, Compliance strategy became the dominant one. BP

used disclosures to inform stakeholders that it took responsibility for the oil spill in the year of 2010 and changed its operation system to prevent potential accident for later year.

Another finding is that there seems to be a relation between the choice of disclosure strategy, type of report and the stakeholder group. That means different disclosure strategies will be employed to target different stakeholder groups and such disclosures can be located in different type of reports. From BP's disclosure practice, although it exerted Compliance strategy the most in both Annual report and Sustainability review, it still seems that BP has different target readers to these two types of reports. This is because while Annual report employed more Excuse strategy than Sustainability review, Association strategy was more prevalent in Sustainability review than in Annual report. By doing this, it can be speculated that BP attempted to target investors with Annual report and authorities and environmental parties via Sustainability review.

The employment of BP's disclosure strategies is not fixed but changes during a period of time. Additionally, because of this, to achieve comprehensive picture of company, Press release will be valuable source to consider where readers can observe minute changes of company's strategies. In 2010, BP's disclosure strategies in Annual reports, Sustainability reviews and Press releases were covered by BP's obedience to society expectations. However, observing BP's press releases in 2010 in detail, we can see that there were changes in disclosure strategies during the first time after the occurrence of the oil spill. BP attempted to distance itself from direct responsibility for the oil spill but then it focused more on responding activities.

6.3. Limitations

First of all this research is a single case study in nature, hence, it is impossible to have a statistical generalization for all industries or even just the oil industry. Second, there were changes in BP's website, for instance additional section called "Gulf of Mexico restoration", but this potential communication channel – Corporate website was excluded from the sources of this study. The main reason is that the approaches to evaluate corporation's website are not equivalent to other chosen sources, for example examining structure of website. Thus, to avoid general and vague findings since grasping so many issues, the author decided to focus on specific sources. Finally, in 2008 there was a financial crisis which could have influences on the distribution of percentage of BP's disclosures to issues. However, looking at the revenues of five big oil companies, we see that there was a common trend among companies regarding the decrease of revenue in 2009 and BP' revenue was still high compared to others (Pirog, 2012). From this, the author assumes that the financial crisis won't have much influence on BP's disclosures because it was not just only BP rather than the situation of the whole industry.

6.4. Future research

There are some suggestions for future research as follows:

- This study can be developed by expanding the observation time, for example including other incidents or important events, which can increase the validity of findings. In addition, the methodology can also be extended by using triangulation one. That is, other methods can be employed, for instance interviews. The sources from interviews can provide additional information which is valuable for process of analyzing content of disclosures.

- In the age of information technology, internet is becoming more popular and it is also used intensively by companies. Consequently, disclosures through corporation's website can be one potential topic research. Future research can investigate, for example, how companies disclose information via website.

- Previous researches posited that disclosure strategies utilized depends on whether corporations aim at gaining, maintaining, extending or repairing legitimacy. One finding from this study approved that BP used different disclosure strategies for different legitimacy purposes. Therefore, one interesting area is to investigate the when and how these legitimacy tactics can be effectively used. In addition, it can be also valuable to the effectiveness of legitimacy strategies. This research area will add valuable insights for corporation in practice.

- Another finding of this study is about the relation of disclosure strategy, type of report and target stakeholder groups. It will be of interest to illuminate that relation and figure out the effective way to communicate with stakeholders, for example what strategy should use for which stakeholder groups. The findings from this study can be helpful from a practitioner's perspective.

- It is generally accepted that social and environmental disclosures used to receive the approval of legitimacy from public. However, the question is how credible such disclosures are. Hence, study can be conducted to examine the link between corporate social disclosure and corporate social performance.
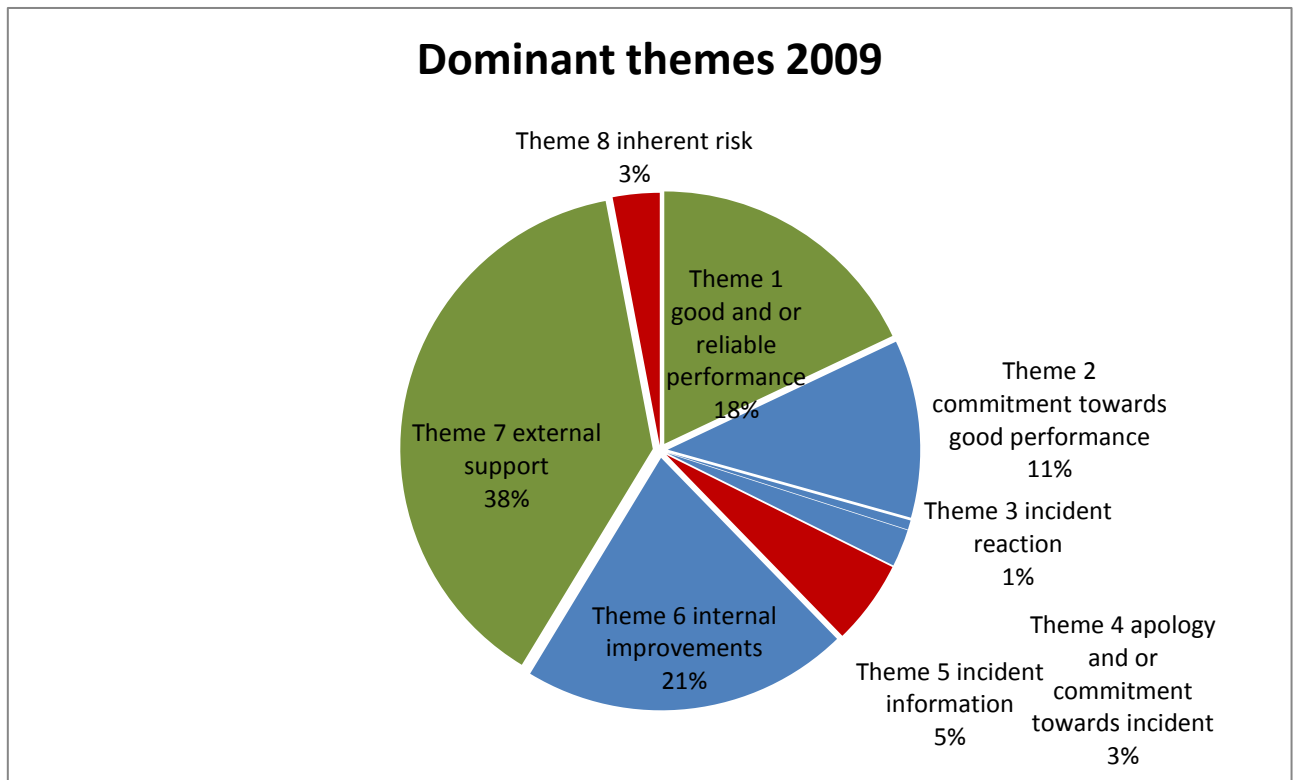
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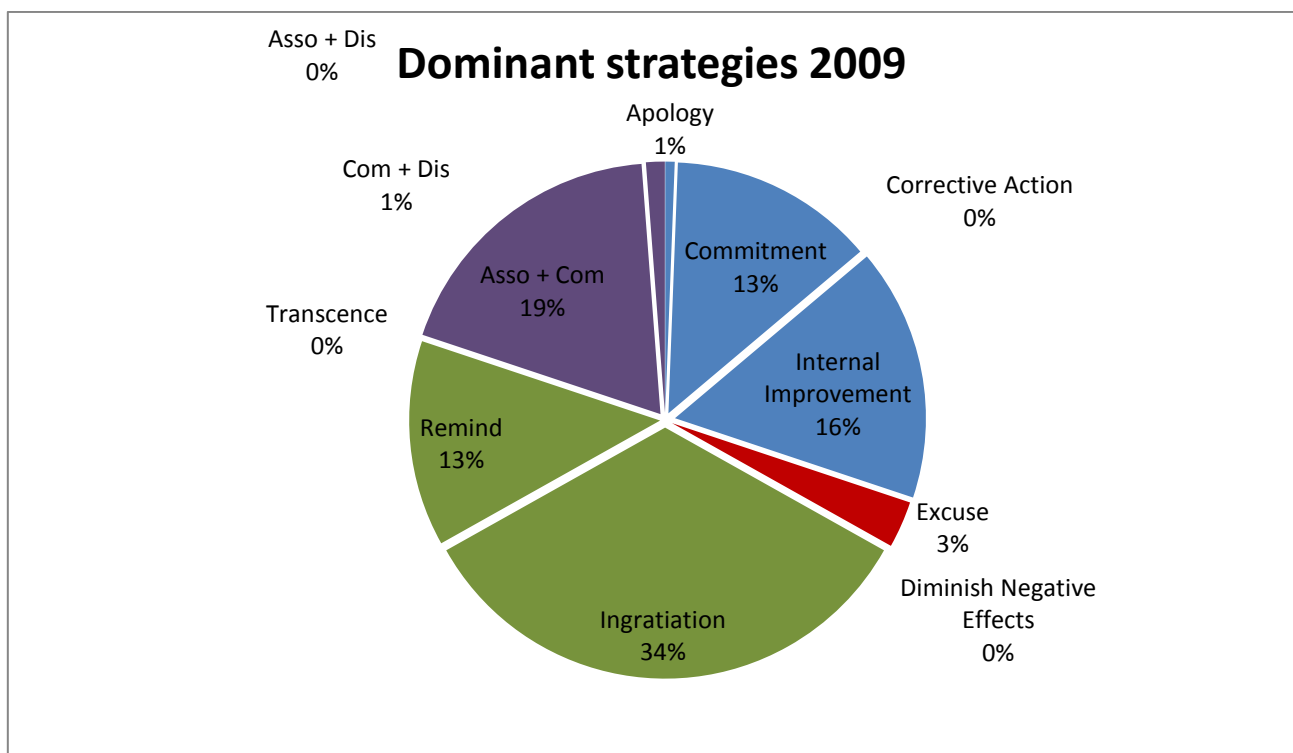
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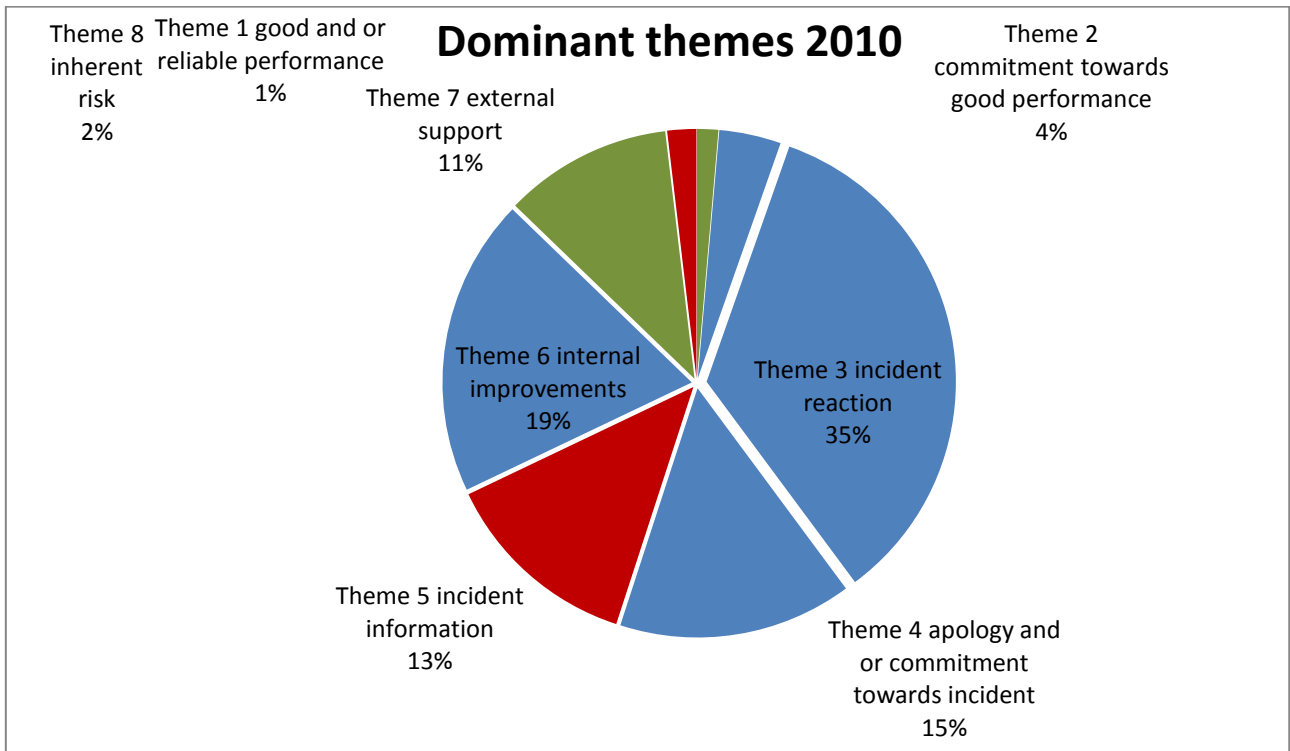
Appendix 1: The similar pattern between themes and disclosure strategies during three years
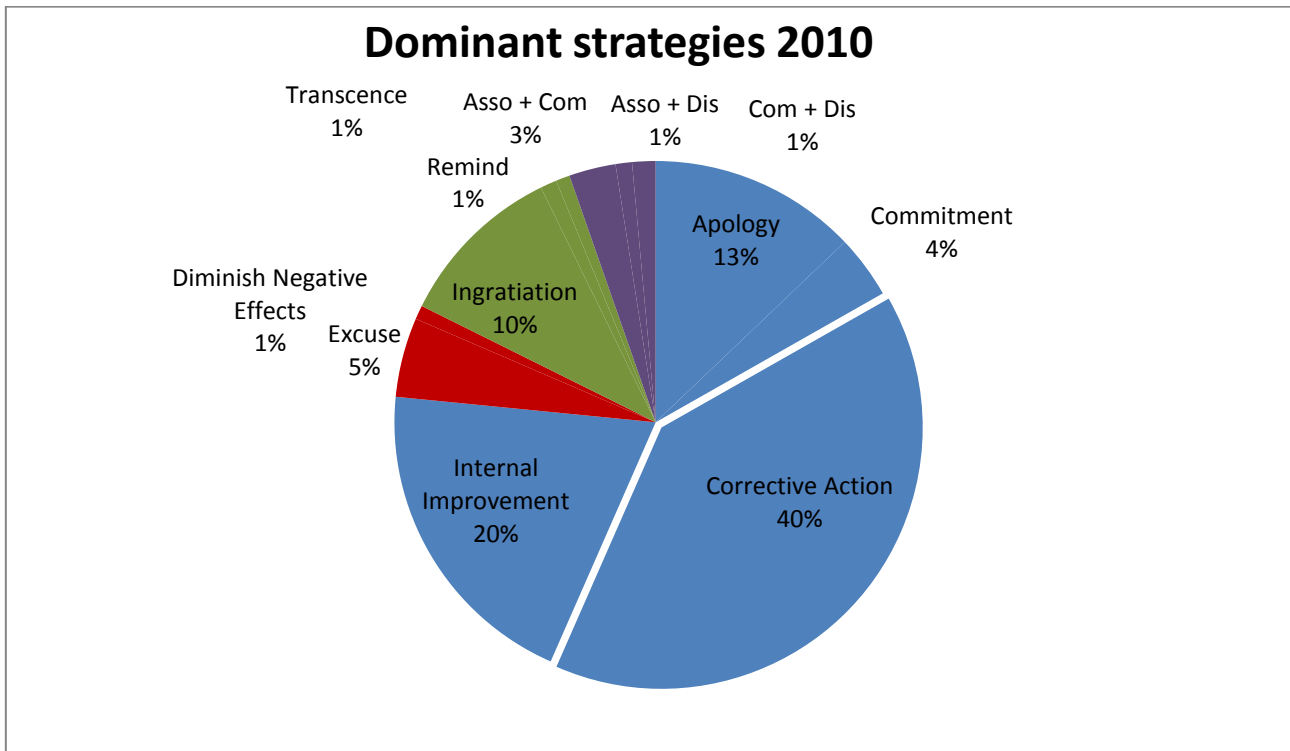

Dominant themes 2009

- Theme 8 inherent risk 3%
- Theme 1 good and or reliable performance 18%
- Theme 2 commitment towards good performance 11%
- Theme 3 incident reaction 1%
- Theme 4 apology and or commitment towards incident 3%
- Theme 5 incident information 5%
- Theme 6 internal improvements 21%
- Theme 7 external support 38%

Graph 1.1: The dominant themes in 2009

Dominant strategies 2009

- Asso + Dis 0%
- Apology 1%
- Corrective Action 0%
- Com + Dis 1%
- Commitment 13%
- Asso + Com 19%
- Internal Improvement 16%
- Transcence 0%
- Remind 13%
- Excuse 3%
- Ingratiation 34%
- Diminish Negative Effects 0%

Graph 1.2: The dominant disclosure strategies in 2009

Dominant themes 2010

Theme 8 inherent risk 2%

Theme 1 good and or reliable performance 1%

Theme 7 external support 11%

Theme 2 commitment towards good performance 4%

Theme 6 internal improvements 19%

Theme 3 incident reaction 35%

Theme 5 incident information 13%

Theme 4 apology and or commitment towards incident 15%

Graph 1.3: The dominant themes in 2010

Dominant strategies 2010

Transcence 1%

Asso + Com 3%

Asso + Dis 1%

Com + Dis 1%

Remind 1%

Apology 13%

Commitment 4%

Diminish Negative Effects 1%

Excuse 5%

Ingratiation 10%

Internal Improvement 20%

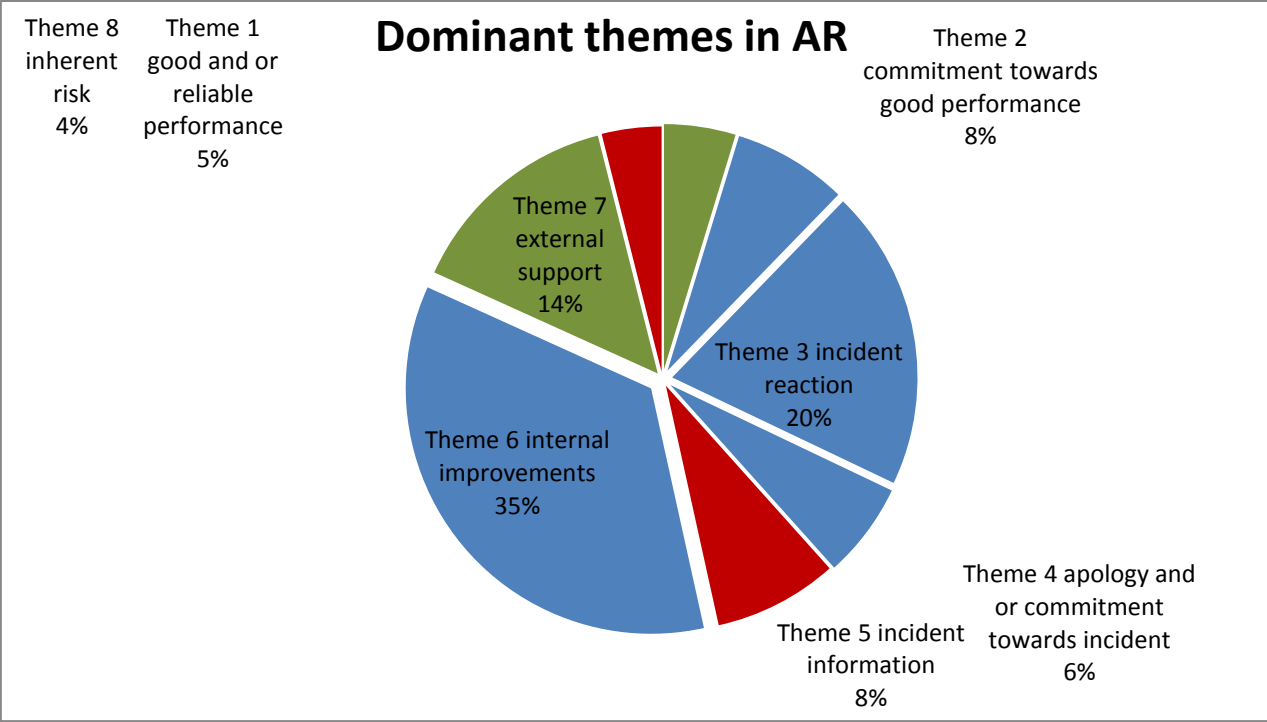Corrective Action 40%

Graph 1.4: The dominant disclosure strategies in 2010
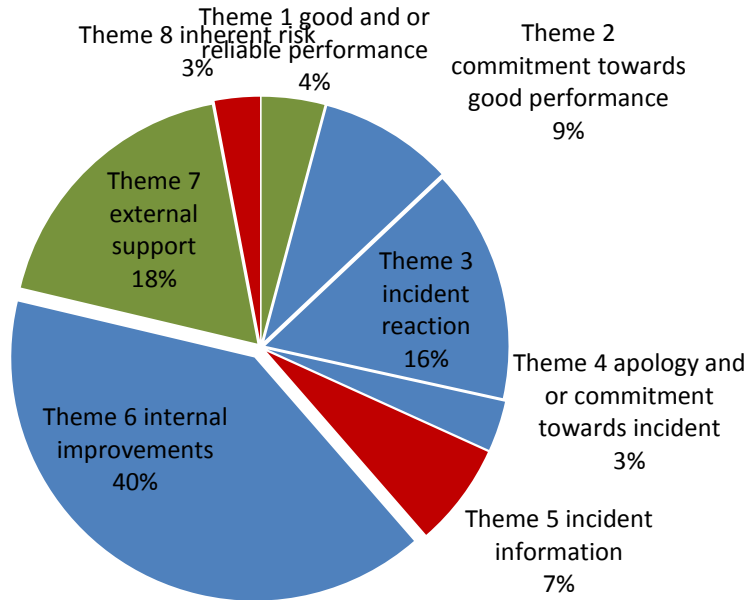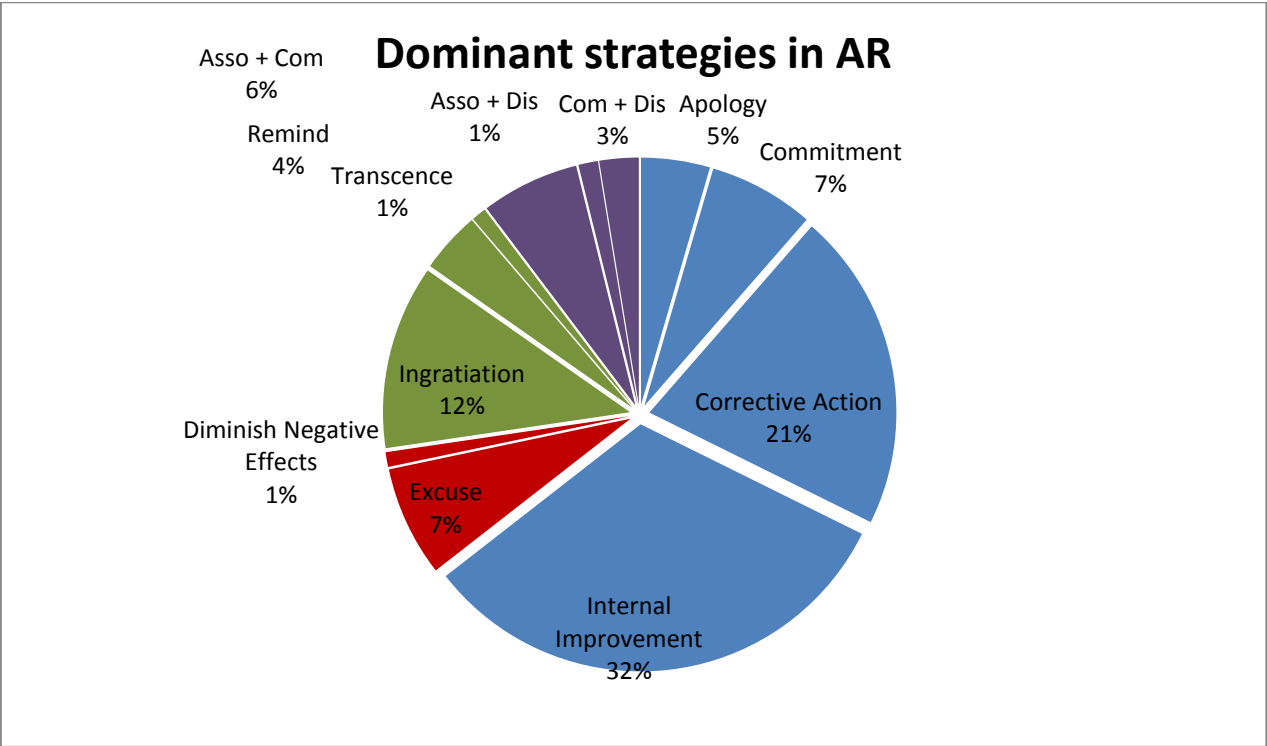
Graph 1.5: The dominant themes in 2011
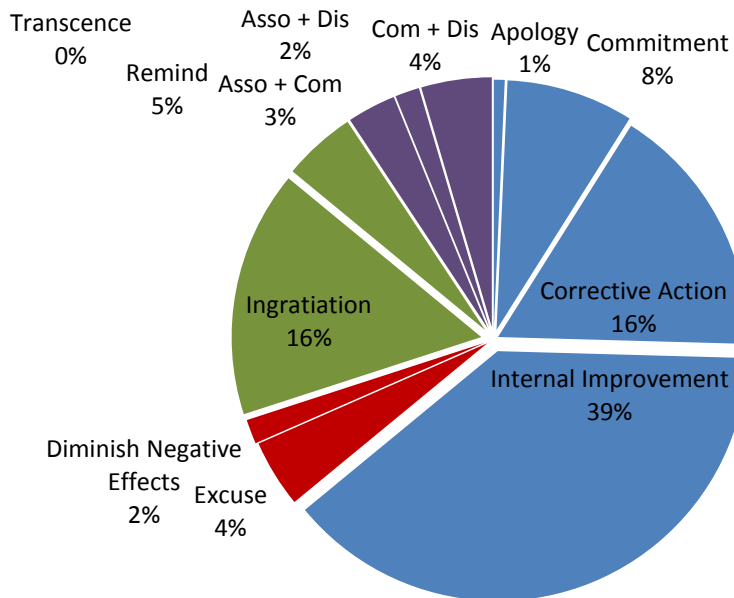
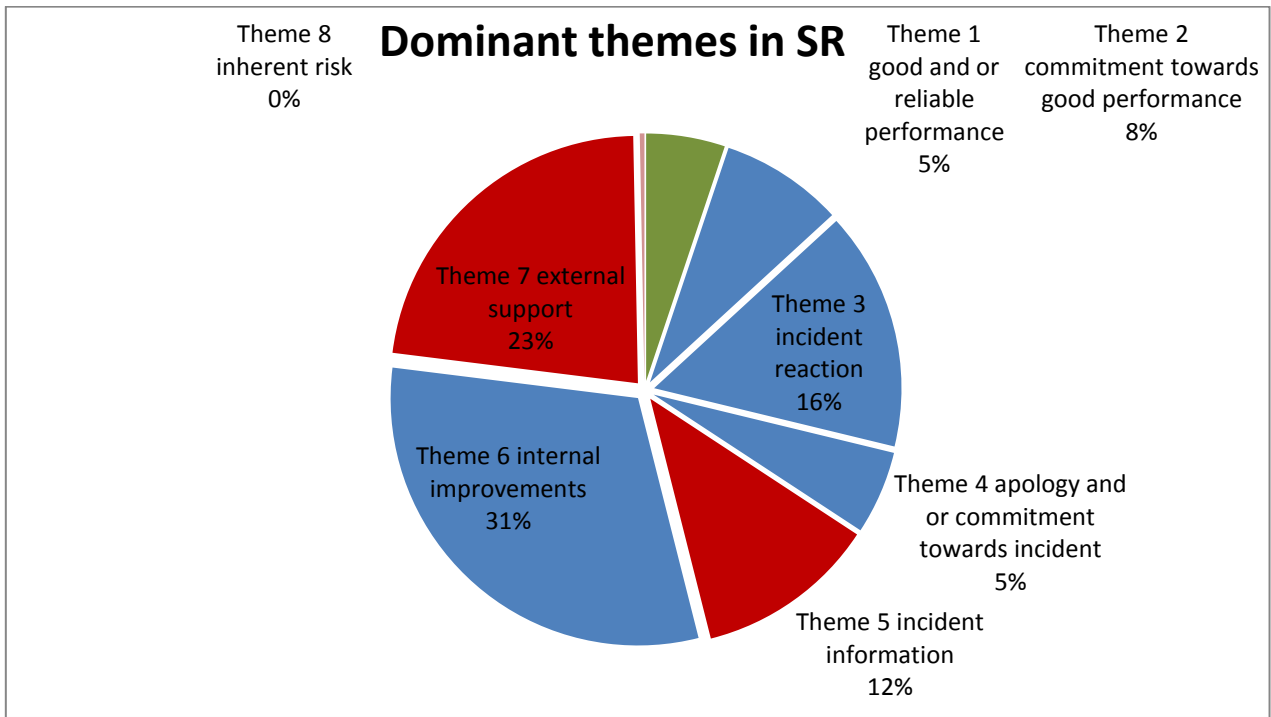Graph 1.6: The dominant disclosure strategies in 2011

Appendix 2: The similar pattern between themes and disclosure strategies in each type of report
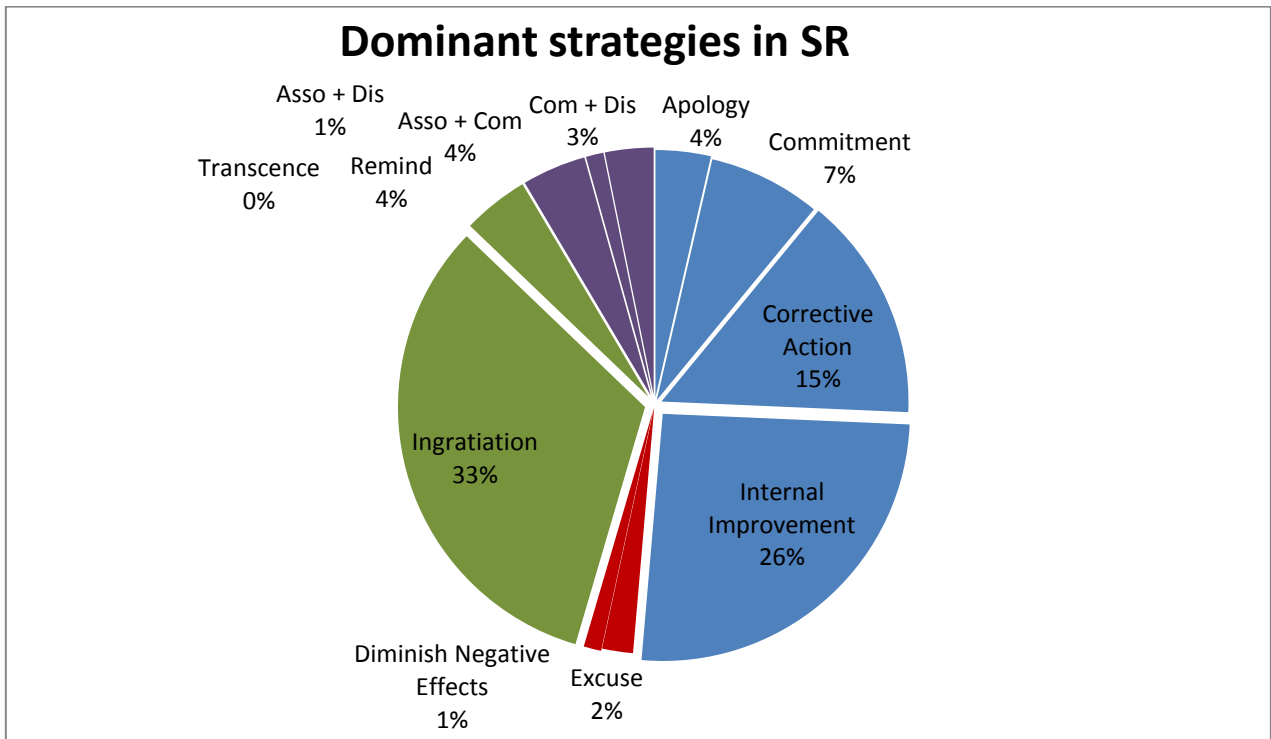

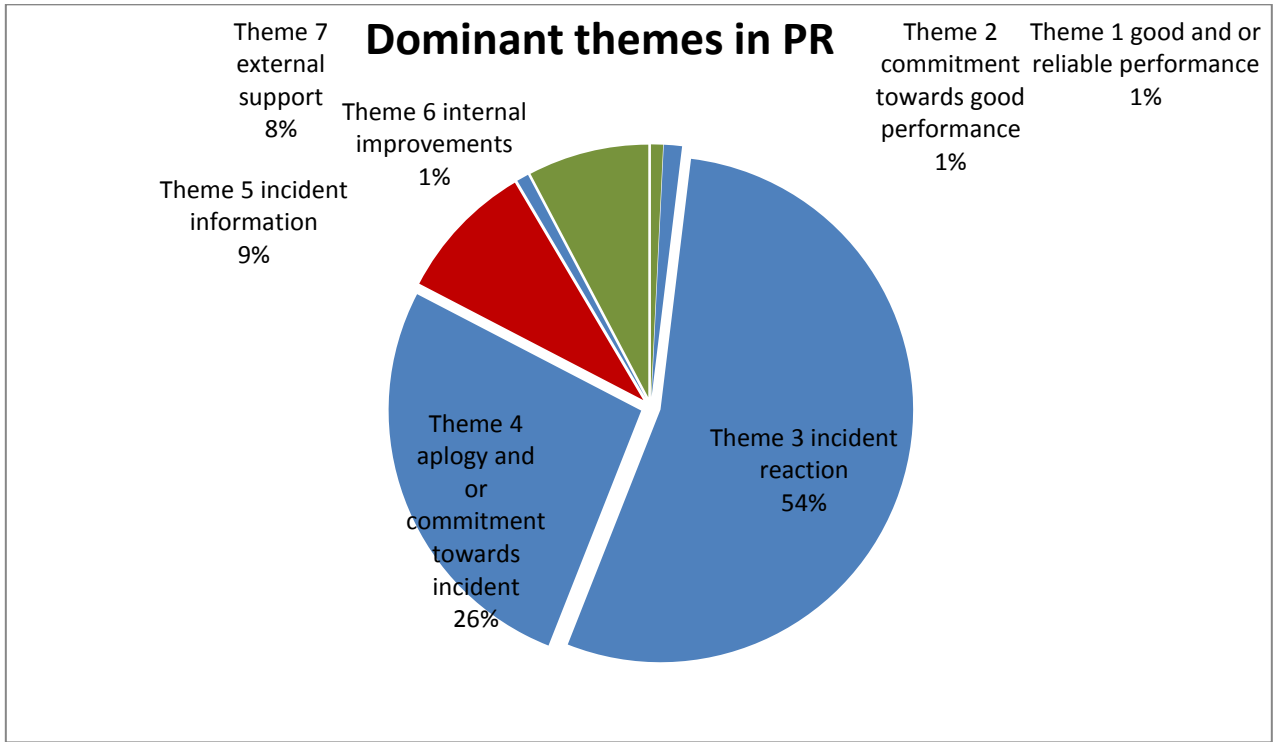Graph 2.1: The dominant themes in Annual report

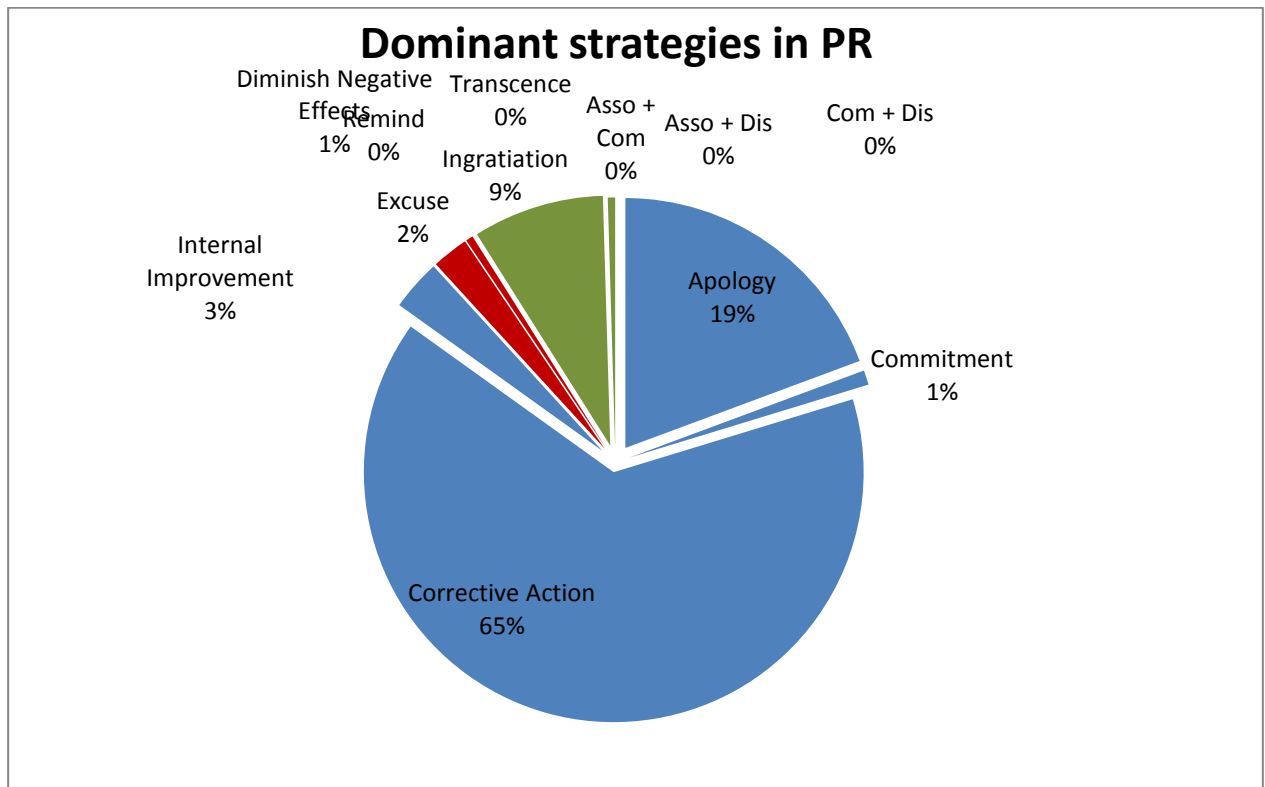Graph 2.2: The dominant disclosure strategies in Annual report

Graph 2.3: The dominant themes in Sustainability review

Graph 2.4: The dominant disclosure strategies in Sustainability review

Dominant themes in PR

Theme 7 external support 8%
Theme 6 internal improvements 1%
Theme 5 incident information 9%
Theme 2 commitment towards good performance 1%
Theme 1 good and or reliable performance 1%
Theme 4 aplogy and or commitment towards incident 26%
Theme 3 incident reaction 54%

Graph 2.5: The dominant themes in Press release

Dominant strategies in PR

Diminish Negative Effects 1%
Remind 0%
Transcence 0%
Asso + Com 0%
Asso + Dis 0%
Com + Dis 0%
Ingratiation 9%
Excuse 2%
Internal Improvement 3%
Apology 19%
Commitment 1%
Corrective Action 65%

Graph 2.6: The dominant disclosure strategies in Press release