



BP: Responsible Leadership at the Core of an Oil Company

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Abstract

This dissertation is a Case Study about British Petroleum (BP), a company that started as a great oil and gas producer and has transitioned to becoming a responsible energy company. The case study delves into various dimensions of responsible leadership at BP, including environmental sustainability, talent retention and development and appreciation towards its own employees, stakeholder engagement, and innovative initiatives. It uncovers the mechanisms employed by BP to ensure transparency, accountability, and ethical decision-making throughout its operations.

In this dissertation, the challenges encountered by BP in its journey toward responsible leadership are analyzed in detail. These include balancing profitability with environmental concerns, navigating complex regulatory frameworks, and managing public perception. The thesis discusses how the company has approached these challenges and identifies areas for further improvement.

The Literature Review focuses on the main topics related to the Case Study: responsible leadership, organizational culture, change management, and the shift in the energy sector.

The Teaching Note offers an in-depth analysis of the case study's main issues through assignment questions that help instructors prepare for the case discussion.

Keywords: Responsible Leadership, Organizational Culture, Energy Industry, Long-term, Sustainability.

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Resumo

Esta tese é um Estudo de Caso sobre a British Petroleum (BP), uma empresa que começou como sendo conhecida enquanto uma grande produtora de petróleo e gás natural e que se tornou numa empresa de energia responsável. Este Estudo de Caso analisa várias dimensões da liderança responsável na BP, incluindo a sustentabilidade ambiental, a retenção e desenvolvimento de talento, o apreço pelos seus próprios trabalhadores, o envolvimento das partes interessadas e iniciativas inovadoras. Revela os mecanismos utilizados pela BP para garantir transparência, responsabilidade e tomada de decisões éticas em todas as suas operações.

Nesta dissertação analisa-se em pormenor os desafios encontrados pela BP no seu percurso rumo a uma liderança responsável. Estes desafios incluem o equilíbrio entre a rentabilidade e as preocupações ambientais, trabalhar com quadros regulamentares complexos e a gestão da percepção pública. Nesta tese discute-se a forma como a empresa abordou estes desafios e identificam-se as áreas que podem ser melhoradas.

A Revisão da Literatura centra-se nos principais tópicos relacionados com o Estudo de Caso: liderança responsável, cultura organizacional, gestão da mudança e a evolução do sector energético.

A Nota Pedagógica apresenta uma análise aprofundada das principais questões do caso, através de perguntas que ajudam os professores a prepararem-se para a sua discussão.

Palavras Chave: Liderança Responsável, Cultura Organizacional, Setor Energético, Longo prazo, Sustentabilidade.

Título: BP: Liderança responsável na base de uma empresa petrolífera

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Case Study

Sitting in his CEO office in London, Bernard Looney was thinking about British Petroleum's (BP) challenging journey. Since Tony Hayward left his chair as CEO, a lot has changed for the company. BP, which was then known for the Deepwater Horizon disaster, had come a long way, now being a pioneer in sustainability and responsible leadership. A new goal was on his mind, to help the world reach net zero, improve people's lives and care for the planet (Exhibit 1).

Nonetheless, being a responsible leader does not come effortlessly. Ever since it became a core strategy for the company, BP faced several issues. Trying to balance shareholders' demands and ensuring stakeholders' needs are attended to is not easy. While energy consumption is greater than ever, the company faces the challenge of finding solutions to match those demands and simultaneously reducing emissions. For a company whose core business is fossil fuels, shifting its business into renewable energies and other solutions without compromising profitability seemed like an impossible mission. Besides the environmental concerns, the company had to safeguard that ethical scandals are a thing of the past and that BP is also responsible towards its employees and partners, being fair, transparent, supportive, and caring for those who make the company successful.

Bernard Looney was confident about the new direction he wanted for the company. He knew that BP had managed to do the impossible before; an even more complicated task than traveling to the moon, it involved drilling 3,000 meters into the ocean and 2,000 more into the Earth's Crust. Its goal was to extract the product that changed humanity: oil. However, a question remained: how could an oil company like BP continue to move towards the goal of changing society's mindset and dissociating from being a dirty business, and finally be acknowledged as an enabler and example of responsibility and innovation?

History of BP: The Arrival of the Company in Portugal

First registered by William Knox D'Arcy and Charles Greenway as the Anglo-Persian Oil Company in 1909, the Anglo-Iranian Oil Company in 1935, British Petroleum Company PLC got its final designation in 1954. This oil company, born with the discovery of oil in Iran, became one of the most prominent players in the global energy industry, with over 60,000 employees and present in 70 countries worldwide (Exhibit 2). From expansions, to ventures, to mergers and acquisitions, BP had businesses in all sorts of areas within the energy sector.

BP arrived in Portugal on the 29th of January 1929; it was the first multinational oil company to set up its business in the country and the first to open a retail station, in 1955. Its initial activity was mainly related to the commercialization and distribution of engine lubricants. Throughout time the company expanded its business to fuels and gas. The company stood out, from the very beginning, because of its innovation capacity and remarkable leadership. In the early '80s, BP Portugal developed a new concept of gas station and was responsible for creating the first self-service gas station in the country, in 1986 (Exhibit 3). Only one year after, the company implemented a new idea for the gas stations that included adding a washing station and transforming the paying area into a store called BP Shop (Exhibit 4). There, it sold a great variety of products such as groceries, drinks, and frozen goods.

Later, in 1993, the company introduced in Portugal 98 unleaded gasoline, a product that ensured better performance and smoother operation of the engines. At the end of the century, the company formed a joint venture with Mobil, and in 2001 acquired Castrol Portuguesa and started commercializing the brand's products in Portugal. In the early 2000s, BP shifted its focus to the area of corporate social responsibility. As a measure in that direction, it brought to Lisbon the first fuel that significantly contributed to lowering pollution emissions.

In 2023, BP is the second biggest energy company in Portugal and has over 500 gas pumps spread all around the country. After more than 100 years in the business, BP still remains relevant, having reached profits in the order of 28 billion dollars worldwide. BP had always been a disruptive company and started implementing responsible leadership way before this topic became a trend or was even developed and studied. In fact, as a player in the energy industry, the leaders of the company understood they had to take risks and stand out from the fierce competition if they wanted to have any long-term success, so it was only to be expected that its way of conducting business would extend beyond concerns with profits.

The First Steps in the Direction of Responsibility

In 1997, the CEO of one of the major players in the oil and gas industry, John Browne, already had a surprisingly progressive view of the new demands of society and what the strategy for a bright future for any oil company would be. In his words, "*A new age demands a fresh perspective of the nature of society and responsibility*"; "*we are all citizens of one world, and we must take shared responsibility for its future, and for its sustainable development.*" It was the first time an oil company took responsibility for its actions and publicly acknowledged the need for change and its commitment to help mitigate and reverse its business's negative

environmental impacts. BP would become a pioneer in fighting climate change and a responsible and accountable firm for its influence on it. However, such a disruptive mindset was still not understood by the market and was perceived as a contingency. As a result, after John Browne shared his new vision for the company, there was a short-term negative impact on the price of BP's shares.

BP put its efforts towards inequalities within the workplace and inclusivity. Early on, it became a goal of the company to shift away from the stereotypical oil company; a predominantly male environment. From that point onwards, BP attributed great importance to the gender quotas of the company and started to define goals for the percentage of women in leadership roles they aimed to achieve in the near future. Being a very vanguardist company, BP understood that the value of diversity goes beyond gender and how important it was to have a representative company that resembled society. Therefore, aiming to be more inclusive, BP extended its diversity goals to ethnicity, marital status, sexual orientation, and religion and gave opportunities to people that suffered from physical limitations. In 2016, BP Portugal already had more women than men working for the company and as many men as women in leadership positions, which at the time was not ordinary for companies in the energy industry. In 2023, the Administrative Council of the company in Portugal was composed of three women and one man, and overall, the company had a higher percentage of female workers (Exhibit 5).

Innovation within the company was also visible in the backgrounds of its employees, a consequence of a rethought recruitment process that encouraged diversity. BP hired psychologists for typical management positions like sales and engineers to the finance department. BP implemented as standard practices many measures that were, at the time, somewhat disruptive. Regarding compensation, BP was proud of never differentiating the salaries based on gender and in attempting only to promote employees solely based on merit.

At a time when reporting unethical behaviors from a colleague or a situation of harassment in the workplace was poorly seen by society, BP had already developed a code of conduct to deal with these issues (Exhibit 6). Even though there was some resistance from the workers regarding this initiative because it had a very negative connotation in the Portuguese culture, it was a fundamental decision that BP took way before the government imposed it. The company also established compliance policies regarding receiving presents from clients and business partners to prevent the possibility of bribes and corruption (Exhibit 7). Employees were not to accept gifts valued above 50 dollars; if the present was offensive to the receiving country, it

should be refused. Additionally, all the offers had to be reported and then audited by BP, who would either keep the present or donate it to a suitable institution; the gift's receiver never got to keep it.

In a way, responsible leadership always came naturally for BP. The company always saw it as an inevitable direct result of the dynamic, ever-changing context where it operated, and a more demanding society for change made that path a sole result of evolution. So, just like times changed, and the empowerment of women and minorities became a staple in the corporate world, the progress in BP followed the same route.

Turning Change into Something Positive

In order to survive for more than one century, a company like BP had to constantly adapt to the ever-changing circumstances that are characteristic of the oil and gas industry. However, these changes not only apply to the concerns with the environment, and within the company, there were also issues that were addressed. The leadership in this company gained a new importance when the need to change to a new office in Portugal arose in 2002. For many years, the company's headquarters were in the center of Lisbon, a privileged location, and now intended to change its office to Porto Salvo, in Oeiras, 20 km away from Lisbon. The company started by inquiring to their employees about how much of an inconvenience it would be to move further away from the city center. This decision pleased those living closer to the new location but was also a source of discontent for others who lived nearer the Lisbon office. It was necessary to win over every employee to make sure the transition would be made smoothly because dissatisfied employees will not be motivated, which can, consequently, hurt their performance. The solution found by BP was a rather creative one. The decoration of the whole building was done by its employees, and each floor represented an element of nature (earth, fire, water, and air), and the offices were constructed in an open space concept. Since many employees were constantly abroad on business trips, this concept also optimized the space and fostered a more social environment among the workers that were more often at the office. Involving the future users of the area in its interior design made the whole transition much more exciting. Additionally, there were set up cameras on the construction site to provide a live feed to the employees on the progress of the new building from their work computers, allowing them to accompany the entire building process of their new office. Bus tours to the site were also done on a regular basis to raise excitement for the change. In the end, employees were looking forward to the change, and all saw it as something very positive, and that was built into their

vision. The fact that they were deeply involved in the process made them feel like they would be moving to something which they had been part of from the beginning, and it was no longer an imposition of the company. It also brought employees together in the sense that they were all focused on the same shared objective.

Practices within the Company

BP's CEOs invested a lot of time and effort in developing and fostering the company's culture, always trying to maintain a good and safe work environment, guaranteeing the happiness and comfort of their employees, and making sure they felt valued and part of one united team (Exhibit 8). Before 2013, the year when Pedro Oliveira became the leader of BP Portugal, all the previous CEOs had their own individual office. Strongly driven by the motto "*Treating people the way I would like them to treat me,*" in an attempt to bring people closer to the leader of their company, he dismissed his office and turned it into a conference room, available for the use of everyone in the company, and set his work station in the open space area with all the remaining employees. This open-door policy turned out to be a successful way to eliminate the distance between him and the remaining employees: he was a regular employee doing his job, and just like them, he was sitting at a desk in the office. Further, besides annual pre-holiday celebrations like Easter and Christmas that would join the whole team together, every week, BP organized a breakfast where ten employees would join the CEO and two other colleagues from administration in a casual conversation where they had the opportunity to ask all sorts of questions, without any barriers, complexes, and prejudice.

Another reason why the culture at BP was one of safety and trust relied on the fact that employees knew that as long as they did their job and followed the company's values, they would not be let down. Mistakes were normalized and accepted. BP was aware that return is often linked with risk, so the company believed that allowing employees to take a little more risk at times could eventually pay off. For this reason, people were not afraid of innovation and of being creative, which, once more, fostered an environment of trust and confidence in the company. Furthermore, giving feedback and questioning decisions made by top management were always appreciated. It was seen as a challenge to the decision made, which made leaders rethink if it really was the best course of action, but also because it allowed the team to have a better view and understanding of what the company's underlying reasons were to make that decision. The evidence of the success of this strategy was clearly seen in the company's growth. In the case of Portugal, in just seven years, it increased the number of employees in its retail

network from 300 to 500, and its profitability had a remarkable increase from around 10 million euros per year to above the 40 million mark.

BP cherishes its employees and understands the importance of retaining loyal workers; in fact, several of its employees have worked in the company for over 20 years. The decision to invest in human capital to maintain it in the company reduces recruitment costs for the company and motivates employees, as they recognize that their company values them. BP introduced several tools to help employees to learn more about areas they are interested in, providing multiple courses in a panoply of subjects. These came in a variety of formats, like webcasts transmitted in the company's channels and company exclusive apps. Grow@BP is a learning platform designed to allow employees to improve their soft and technical skills (more oriented to their job) and personal development. The access to this resource aims that employees themselves take the initiative to want to willingly develop a skill or improve their knowledge about a particular area. Besides these facultative learnings, annually, BP organizes one-week sessions where the whole organization is dedicated to training. Thrive@BP was developed to promote mental health and well-being awareness and provide support for employees and their families. It offers challenges and approaches, allowing users to live healthier and happier lives.

BP also understood the responsibility it had towards its partners and looked at the profitability of its clients as if it was its own firm. This turned doing business with BP into something desirable and a reliable decision because companies knew they would not be let down, and they looked forward to doing business with BP.

Simple Fuels in Portugal: Staying True to your Values

In 2015, BP faced a new problem with the release of legislation that forced all gas pump stations to offer simple fuels, meaning fuels without no additional performance enhancers, also known as additives. These fuels had the particularity of being marketed at lower prices. This law, released at a time when the government needed to provide lower prices to consumers, given the growing prices of goods, assumed that for having additives, fuel should be more expensive. Offering a lower quality product like simple fuel should be a mean to give consumers an alternative to the high-priced fuel sold at the time. Such a law could have a significant impact on a company like BP, which is known for its offer of high-quality products, a differentiation point the company stands by. It could represent the death of the business. Nevertheless, not agreeing with this imposition, BP fought the issue with the government and came out victorious. Further, to explain to consumers the benefits of the additives in the performance of vehicles,

BP made a statement that by using premium fuels (with additives) over the simple ones, vehicles would have a higher autonomy of up to 56 more km per deposit. The company's clients saw the dedication that BP put into assuring that it stood by its beliefs and value proposition and in emphasizing that it was not a regular oil company, making it clear, once again, that BP was trustworthy. This decision created the possibility for their clients to continue to differentiate themselves from the remaining providers by having a different product offer.

The Change of Paradigm in the Industry

After some years, studies started to be published where the benefits of diverse teams were highlighted and how it had become necessary for all companies to mitigate the adverse effects their businesses had on the environment. What was perceived before as a contingency for many gradually began to be understood as a business opportunity. At this time, it was observed a change in the strategy of the whole industry, with many significant players following BP and understanding the undeniable need to cut their level of carbon dioxide emissions (Exhibit 9) and also entering the renewable energy market. However, companies that made such compromises were never transparent and largely failed to clarify how these results would be attained and measured. It was not until 2020, when the new CEO, Bernard Looney, was in charge of BP, that such goals were made explicit for the first time. The company introduced a new, more aggressive business model where it would be committed to drastically reducing its emissions by 40% by 2030. In the oil and gas business, upstream production accounts for around 75% of the company's profits; therefore, a reduction in the emission levels of 40% means a significant decrease in upstream production, which would result in losses of billions of dollars in profits for the company. As a publicly traded company whose evaluation still mainly relies on the value of discounted cash flows, measures that disturb the expected return of shareholders still tend not to be received well. Once again, after such a radical announcement that did not please all, BP saw its share price drop, and the pressure for high profits and short-term results spoke louder (Exhibit 10). BP was forced to reassess its goals and decided to aim, instead, for a decrease of 20%. This less dramatic change made the share price rise back substantially in just one day after the new goals were made public (Exhibit 11).

Later that year, BP Portugal took an unseen radical step. The company publicly committed to pay a carbon offset to compensate for its CO₂ emissions, a direct consequence of the business. In just one day, BP Portugal paid off the carbon footprint of the whole Portuguese market, around 10 million tons, without compromising its prices, not affecting, in any way, the

company's clients. With this, the company made up all the for the emissions of all the products it sold in gas stations: gasoline, diesel, and liquefied petroleum gas (LPG). BP then appealed to the remaining oil companies to join their initiative and also pay off their impact. No other company has done the same ever since, and this strategy, that continues in 2023, turned out to give BP a differentiation axis over their competitors, as people could fill in their vehicles' deposits knowing that they would be making a better environmental choice without having to pay extra for it.

Energy Outlook

Being such a huge company, publicly listed, and without a majority owner, the number one concern of BP was always society. Therefore, all its initiatives and strategies always had in mind the effects and demands of this huge stakeholder group. In that sense, BP has extensively put the gains it obtained from the oil and gas exploration into research and development towards renewable energies. This money also pays for around 30% of the world's pensions and salaries, and the taxes paid by these companies, when put into good use by governments, are life changing for a country's economy. Portugal is no exception. If there are currently so many alternative sources of energy, such as ocean, wind, and solar, it is partly because these industries funded them and worked in the development of renewable energy sources.

Ever since governments compromised to decrease oil consumption and focus on decarbonization, BP has developed and implemented strategies to minimize the dependence on oil and increase the weight of renewable energies (Exhibit 12). However, this requires resorting to other energy sources and technologies. Further, outlooks do not foresee that oil will stop being a resource (Exhibit 13). In a world with more than 8 billion people, where consumerism is incentivized, and the consumption of resources has reached a record, when facing the challenge of trying to keep up with this demand, energy companies are forced to continue relying on fossil fuels (Exhibit 14). The company has invested billions in the development and improvement of supply chains over the years to find the best possible way to explore fossil fuels and produce them in the most efficient and affordable manner. Until today, there are still investments being made in the oil industry, and these are forecasted to continue for at least the next 30 years.

Even though the weight of renewable energies is rapidly expanding (Exhibit 15), it is not enough to respond to the needs of consumers. It will require significant acceleration and financing to build new capacity to be able to completely replace oil. The infrastructures that

allow the use of such alternative sources of energy need to be further developed to be competitive enough to even be considered by consumers. A lot of consumers are not educated in this subject, so energy companies are forced to make important decisions in an uncertain environment. Additionally, even though many consumers point out their severe concern with the need for a transition to a low-carbon world, when the ultimate choice relies on price, they will still prefer the alternative that best fits their budget.

BP's Innovation Attempts and Obstacles

It is not easy to be a pioneer in energetic transition. BP still faces the challenge of being obliged to deliver results in the short term, and as a result, sometimes results speak louder than good intentions. Shareholders are trained to preserve value, and the eminence of a loss before the gain is many times not well received. Without positive results, companies do not have the resources to invest in having a more responsible business, and many times such projects have to be delayed because the expected outcomes take longer than initially anticipated.

The implementation of innovation does not solely rely on the company's resources and capabilities, and it is imperative that such changes do not come ahead of their time and that governments and societies are ready to embrace them. As a matter of fact, BP suffered from this same problem when trying to develop several innovative sustainable projects that did not turn out successful due to their lack of profitability. It was the case of CUTE (Clean Urban Transport for Europe), a project that used hydrogen as a fuel for buses in the city of Oporto (Exhibit 16), that started in 2004 and was shut down in 2008 due to its weak results.

BP observed that even though its willingness to invest in renewable energies and better alternatives was there, the capital was there, and the strategies were in place, many times, some external factors can be the cause of delay of the projects.

BP's joint solar venture, Lightsource BP, present in 18 countries and the world leader in the development and management of solar projects, developed a project for a solar center in Vila Nova de Paiva, Portugal, that required an investment in the order of 200 million euros. This project intends to provide energy for over 100,000 households per year through renewable energies and reduce CO₂ emissions by 157,755 tons per year. Besides, with its implementation, that was designed to not disturb biodiversity in any way, infrastructures would be improved, and new jobs would be created. In 2022, everything was set in place; however, the project is still on hold because, after a year, the company is still waiting for a municipality license to be

able to move forward with it. This same project was designed for Spain at the same time as in Portugal, and it is already full-on working. In the end, even when meeting all the required conditions to make it a successful project, BP Portugal could not move forward with it just yet, because of all the time-consuming processes it must undergo.

One further challenge relies on the fact that new legislation is often being developed in this innovative sector, and the current ones are constantly suffering alterations. This comes as a constraint for long-term strategies that BP intends to implement regarding sustainability. From the research and development phase to their implementation, these complex and revolutionary projects in the area of renewable energies can take several years to become a reality. Even if when the project first kicks off it is totally viable and follows every single industry specific requirement, by the time it is ready to be executed, this is no longer verified because of changes in the law that happened in the meantime. The consequences of these situations are huge losses for the company. After having carefully designed an entire plan based on a predetermined timeframe, the company is forced to delay it, making the return of an already long-term investment, whose results are not expected to be immediate, to be postponed to an even further away future. A compromise and support between governmental institutions and companies come as an imperative condition for the triumph of responsible businesses.

The Lack of Cohesion from Governments and the European Union

The lack of clear cohesion within the countries of the European Union is a challenge for BP. When aiming to reduce carbon emissions as a group, one must predict the interdependency countries will have with each other. As with oil and gas, there were always built mechanisms to have a more efficient way to distribute them across the nations; the same needs to happen for renewable energy sources. The shift to net zero means European countries have to be responsible for producing their own energy. So, while Portugal does better on wind and solar because of the natural characteristics of the country, other countries' resources are best suitable for hydropower exploitation, for instance. Having the distribution of energy aligned between the different energy providers will therefore be crucial for such projects to be successful.

Likewise, the goals of the European countries regarding decarbonization need to be better aligned with each other. Currently, it is challenging for energy companies to make long-term decisions, as there are no guarantees of the success of the projects. While in Portugal, thermoelectric centrals were shut down as a mean to achieve the commitment the government made in the direction of decarbonization, in other European countries, such facilities are still

operating. Even though the decision is thoughtfully made, instead of profiting out of coal for a few more years and then investing those results in green energy sources, the country is now relying on other countries' thermoelectric centrals' energy to fulfill its own demand.

Moreover, BP realized the transition to renewable energy sources does not involve only considering the emissions caused by road traffic or oil extraction. These represent only a small parcel of global greenhouse gas emissions (Exhibit 17). Indirect emissions caused by consumers (Exhibit 18), the hardest to measure, account for around 70% of a business's carbon footprint¹. In the end, regardless of how much effort BP puts into its initiatives, it also depends on its stakeholders to be as committed. To fight this problem, all the sources of emissions have to be tackled together. Solving minor problems individually is not enough to achieve the designated outcomes.

Final Remark

“And while we don't have all the answers, collaboration and challenge have shaped our new strategy, and it is better for it” - Bernard Looney.

Even with all the disbelief of society that oil companies can be good and the uncertainty surrounding the demands for energetic transition, BP had set its goals: *“To be a net zero company by 2050 or sooner and to help the world get to net zero”*. The company was certain of something: Responsible Leadership was the way to go. It had been proven to work before; it just needed to be adapted to the new circumstances.

¹ Based on: www.weforum.org/agenda/2022/09/scope-emissions-climate-greenhousebusiness/?DAG=3&gclid=CjwKCAjwo7iiBhAEEiwAsIxQEVRxzzHoYwNIQ0VHSHKmUSAFrbYJy6xKHRunrEFoq50xQnMeCrhQcBoCrnwQAvD_BwE

Literature Review

Responsible Leadership

The call for responsible leadership has been growing in popularity. Over the last few decades, the world has been a stage for multiple ethical and environmental corporate scandals (Volkswagen's false emissions statement, corruption at Siemens) (Frangieh & Yaacoub, 2017; Muff et al, 2020). Further, with growing concerns regarding climate change and global warming, the heavy increase in resource consumption, and more evident social inequalities, companies currently face greater challenges in the way they must run their business (Mousa et al, 2019). It is no longer enough to be profitable; the leaders of the future must envision the results of their strategies in the long run and how they will affect future generations while creating a positive impact, and not just focus on the short-term benefits (Drewell, 2012).

Society also plays a key role in the rising importance of responsible leadership, pushing companies to change their business models and be more conscious and accountable for the impact of their actions. This mindset change is forcing companies to adapt to the current demands of their stakeholders (Maak et al, 2014). Choosing not to be responsible in the present can result in great losses in the future. As a matter of fact, customers are more aware than ever of the products and services they acquire, and when making purchasing decisions, the purpose of a company can be determinant. In the end, if one company cannot fulfill one's needs, there are plenty of other, more responsible, and sustainable options that will satisfy their wishes. So, choosing to be responsible, adaptability and innovation skills, and constant reinvention have become inevitable assets for any successful contemporary business (Griffin et al, 2007).

Even though this leadership style is described in many ways, it is consensual that responsible leadership involves more than just caring for sustainability. According to Muff et al (2022), there are five defining competencies that characterize a responsible leader: the relationship with stakeholders, ethics and values, self-awareness, systems thinking, and change and innovation.

The relationships with stakeholders, in the context of responsible leadership, first brought as a characteristic of this leadership style by Maak (2007), implies actively involving, respecting, and listening to what stakeholders have to say in the context of decision-making. A responsible company looks forward to fostering long-term relationships with its stakeholders, being open to suggestions, and keeping up with their needs and demands. In what concerns the role of ethics and value in a responsible business, being honest and transparent, acting as an example and distinguishing between what is right and wrong, and constantly critically questioning

decisions and values are some of the most relevant characteristics of this dimension (Muff et al, 2020). The sub-competencies identified by the author regarding the self-awareness dimension comprehend knowing themselves and understanding their strengths and weaknesses, and using mistakes as a learning mechanism. Systems thinking involves handling uncertainty, having a long-term view, and assessing the consequences of decisions, and understanding how to take advantage of challenges and turn them into opportunities. The fifth dimension, change and innovation, requires imagination, curiosity, rapidly adapting to unpredictable events, and turning ideas into reality (Muff et al, 2020).

There have been identified several benefits of implementing responsible leadership measures, among which is the possibility of responsible leadership resulting in better corporate performance, in the sense that it can benefit the company's reputation, increase employee engagement and innovation (Brammer et al, 2015; Waldman & Siegel, 2008). Responsible companies have also been described as more attractive for new generations and for contributing to more talent retention (Frangieh & Yaacoub, 2017), increasing organizational commitment, and lowering turnover rates (Haque et al, 2017). Moreover, according to Maak & Pless (2006), when leaders actively take into consideration the needs of their stakeholders, there is a better chance that their decision-making will benefit all the involved parties as well as have better levels of transparency, trust, and legitimacy (Brammer et al, 2015). Such leadership has also been related to allowing companies to anticipate and deal faster with problems (Stahl et al, 2013). In what concerns the dimension of ethics and values, it has been observed that leaders who prioritize fairness, justice, and sustainability are more prone to making more responsible decisions (Waldman & Siegel, 2008), and organizations where ethical culture is valued tend to focus more on responsible leadership (Mayer et al, 2012). Further, responsible leaders have been linked to fostering open, inclusive, and diverse cultures where knowledge sharing is a regular practice (Doh & Quigley, 2014).

Organizational Culture

One of the main differentiators between companies is their organizational culture (Azeem et al, 2021). When studying what this phenomenon consists of, it is important to start with the distinction between its academic definition and what it is in practice (Schneider et al, 2013). Culture is both something that a company has and something that defines what that company is. From the first approach, the differences observed between companies rely on their efficacy and organizational change; it is measurable; therefore, one can differentiate between more and

less effective companies (Alvesson, 2002; Weick & Quinn, 1999). On the other hand, is organizational culture as an intangible resource. Under this definition, organizational culture can be defined as the organization's way of doing things, comprising a set of shared views, ideologies, values, beliefs, expectations, and norms that the company's organizational members come to develop (Grant, 2018). Several authors have developed their own definitions for this concept. In the words of Hofstede et al (2010), this concept is described as "the collective programming of the mind which distinguishes the members of one organization from another," and it consists of the unwritten, often subconsciously followed rules that bridge the gap between what is written and what actually happens (Crémer, 1993). Organizational culture is also observed in the manners and actions that new employees instinctively undertake when they first enter the company, a direct result of following their fellow colleagues' behavior (Schein, 2010). Additionally, this complex phenomenon is a critical resource for any company, strongly influences its decision-making process, and overall sets the standard for how problems are addressed (Schein, 2010). It also defines how employees think and behave and how they deal with challenges (Ke & Wei, 2008). These shared assumptions are, therefore, necessary conditions for long-term success (Kotter & Heskett, 1992).

As suggested by Hall (1976), culture is similar to an iceberg and can be divided into three factors: artifacts, espoused beliefs and values, and underlying assumptions. On the surface, and easily observed when first encountering a new culture, there are the artifacts, translated into behaviors, traditions, and customs of the company, symbols, practices, way of dressing of the company members, vision, and mission of the company. Even though they represent the most easily accessible level, they are also the more ambiguous because they can look similar across multiple organizations but have different meanings (Schein, 2010). On a deeper level, and part of the internal culture are the core values and beliefs. This collection of basic assumptions that the organization invented, discovered, or created are a result of past experiences where the organization had to learn how to adapt to an ever-changing environment and in the present work as predictors of the company's behavior and actions. Basic underlying assumptions are the go-to means to solve the same problems, which have worked in the past and continue to be relevant; they reflect the way employees think; and are the unwritten rules they follow on a daily basis (Schein, 1990).

Organizational culture has direct implications for various organizational outcomes such as employee commitment and job satisfaction, firm performance, and innovation level (Warrick, 2017). According to Denison & Mirshra (1995), a company with a strong organizational culture

will have higher levels of employee dedication and higher rates of job satisfaction, reducing turnover intentions and strengthening employee retention. As a matter of fact, when employees feel a sense of belonging and have their values aligned with their organizations, they tend to be more motivated and loyal to their company. When an organization has an enhanced sense of purpose and promotes collaboration and knowledge-sharing, it is better prepared to deal with adversities, therefore improving its competitiveness and having a better performance (O'Reilly & Chatman, 1996).

Additionally, the culture of a company has also been proven to help boost its performance when top management is perceived as reliable and ethical (Guiso et al, 2015) and when it is a healthy one (Kotter & Heskett, 1992). Warrick (2017) makes the distinction between high and low performance culture on ten levels. Regarding the leaders of high and low performing companies, some of the differences rely on their skills and how they increase engagement in the company, on how clearly the vision, mission, and objectives of the company are explained and understood by all of its members and on the core values of the firm came in use when making decisions. Further, when the level of teamwork, communication, and transparency tends to be high, so is the performance of the organizational culture. Performance can also be enhanced when change, adaptability, risk taking, and mistakes are perceived as growing and learning opportunities. Innovation was also found to be positively correlated with organizational culture, especially when a company fosters creativity, risk taking and values the ideas and suggestions of its employees (Cameron & Quinn, 2011). The consequences of a strong culture can also be associated with an increase in customer satisfaction (Schneider & Bowen, 1985).

Moreover, the organizational culture adopted by the members of an organization, which distinguishes it from other organizations, can be a source of competitive advantage, allowing a company to outperform its competitors, as it is hard to replicate, and each company has its own distinct culture (Wang & Rafiq, 2014). Further, when the company's strategy and its organizational culture are aligned, they foster initiative and creativity in the workplace (Schein, 1990).

Leadership and Organizational Culture

According to Schein (2010), leaders are some of the main promoters of the shared values and assumptions that ultimately materialize into the company's organizational culture. There are two ways leaders can disseminate these ideas: through primary and secondary embedding

mechanisms. The primary mechanisms work as an approach for leaders to develop and share their values throughout the company. These translate into human resources practices (recruitment, promotions, rewards), how leaders manage unexpected situations, and through their chosen leadership strategy (if they provide coaching and feedback and act as role models). The secondary mechanisms are used to deeply strengthen these values, and the actions undertaken by leaders involve clarifying the systems and procedures used by the organizations, using past experiences as examples of how to manage certain situations, and the institution of some rituals and traditions (Schein, 2010).

With this approach, the culture of a company gradually starts to develop as the organization's employees realize what are the go-to behaviors and actions that are most useful for different tasks.

Challenge of Leading Change – Kotter's Eight Steps

In order for companies to successfully implement change, whether it concerns shifting to responsible leadership, creating a new company culture, or simply finding a solution for a problem that requires taking action at the corporate level, Kotter's Eight Step Change Model is a powerful tool (Kotter & Rathgeber, 2017).

This framework comprises eight stages companies must go through to effectively implement organizational change. The first step is creating a sense of urgency; a persuasive reason that justifies change and highlights how important it is that all stakeholders are aware and understand the urgency of the problem in their hands. It can also be related to the identification of threats that might need intervention in the near future. Secondly, it is necessary to form powerful coalitions, so there must be assembled a group of individuals (constituted by people within the organization or external stakeholders) whose opinion is respected by others that can then support the initiative of executing change. After, there should be developed a solid and clear vision for the future of the organization, which can be easily understood by all the members of the company. The next step is communicating this vision to all of the company's stakeholders in a compelling way, making sure that all their doubts and concerns are clarified and that they are engaged in the transformation process. The fifth stage is the proactive removal of obstacles, either it concerns individuals who are more reluctant to change or processes that might prevent the idea from moving forward. Rewarding those who endorse change is also an effective way to support the process and can contribute to a better overall understanding of those who did not initially embrace the idea. Further, it is important to create and celebrate

quick wins that highlight the progress toward the vision. By setting short attainable goals, it becomes easier to observe change happening. Multiple small victories can contribute to increasing the motivation to continue pursuing the new strategy. The next phase is capitalizing on these small victories to produce better results toward the intended vision. The final and last step consists of anchoring change in the company's corporate culture. By discussing the success of past situations where change was required, the organization's employees understand its importance, and it becomes part of the culture of the company to perceive change as something positive.

Shift in the Energy Sector

The energy sector was, from the beginning, distinctive for being very dynamic and constantly evolving and allowed society to make great progress in multiple sectors, from communications to transport (He & Ni, 2022; Smil, 2017). With the quick development of new technologies and the growing demand for energy, oil will soon not be enough to fulfill the needs of all of Planet Earth's inhabitants, as its extraction costs will severely increase (Kreps, 2020). It became imperative to look for better, more sustainable, and viable options for the long term. Energy companies are, therefore, forced to look for alternative ways to generate electricity and find ways to rely less on oil. The current trends and the alternatives, whose costs are gradually decreasing due to the rapid technological evolution, are solar and wind power (IEA, 2021). Another advantage that such energy sources have is the fact that their greenhouse emissions are substantially lower than with fossil fuel-based energy, making them a more environmentally friendly option (Resch & Kaye, 2007).

The pressure for change in the way companies run their business has, in great part, been influenced by stakeholders' demands (IEA, 2020; Karassin & Bar-Haim, 2016). Moreover, the industry is also forced to adapt because of Government demands. Starting with the Paris Conference, the growing importance of SDGs, and the stricter regulations, energy companies saw themselves having to find ways to counter the negative impact of their business (Singh & Gomez, 2018). Such measures had the exact desired effect, being drivers of change in the sector and a motivation for companies to keep their (and their countries' climate goals). It is, therefore, to be expected that, until 2035, the main focus of energy companies will be on guaranteeing the energy supply while developing new, more efficient ways to continue to provide energy, but with a substantial increase in the percentage of reliability in renewable energy sources (Dudin et al, 2019). However, if the offers regarding renewable energies are not competitive, they will

not be well accepted by consumers, so for this process to be successful, governments have to ensure energy is available for all at an affordable price (IEA, 2021).

Outlooks point out that fossil fuels will continue to be a valuable asset in the next years, with oil reaching its maximum demand between 2024 and 2027 but declining by about 45% to 80% by 2050 (McKinsey, 2022). This can be explained by the fact that the infrastructures to extract and distribute nonrenewable sources of energy are built and operating and still allow to supply with affordable energy. Moreover, for the alternative energy sources to be developed and fully operational, it still required huge investments in research and development, as well as in building a completely new supply chain that will allow the distribution of these new sources of energy (McKinsey, 2022). Without oil companies, this transition in the energy sector will be significantly more expensive and challenging (IEA, 2020). Because of their operations worldwide, access to big investments, and knowledge of the market, oil and gas companies are predicted to be the ones that will have the greatest success in the energy transition (IEA, 2020). Furthermore, such companies have the opportunity to use the profits gained from the exploration of fossil fuels to invest in new alternative energy sources (Kienzler et al, 2023).

When discussing cutting emissions, it is important to understand its sources, as all of them need to be tackled to achieve the set goals (Read, 2022). Greenhouse gas emissions are divided into three scopes – Scope 1, Scope 2, and Scope 3. The first scope concerns the direct emissions that are a result of companies' activities, for example, manufacturing processes, running vehicles, and supplying power to machinery (Read, 2022). This first level is within the firm's control, so it can monitor the sources of emissions and eliminate them through renewable sources of energy and transitioning to the use of electric vehicles (Deloitte, 2023). The same applies to the second scope, which comprises indirect emissions, for example, the energy the company uses to keep its facilities warm or to cool them down. The final scope is also related to indirect emissions, but contrary to the second scope, these are harder to measure. The company does not produce them, but consumers do when using its products or by suppliers when manufacturing the machinery that the company uses for its activities (Read, 2022). This level accounts, for many companies, for 70% of their footprint and is something outside the reach of the firm (Deloitte, 2023). Companies are not the only ones responsible for carbon emissions, and to decrease the level of emissions, suppliers and consumers also have an important role to play.

Finally, research points out that shifting to green innovation can be a source of competitive advantage for companies that compromise to follow that route (Tu & Wu, 2021). Further,

engaging in these practices has been associated with improving the company's reputation in the eyes of stakeholders (Tu & Wu, 2021). In the end, such consequences can be a motivation for companies to focus on the energetic transition, as it has the potential to be a successful strategy.

Teaching Note

Learning Objectives

BP's case study is a practical example that shows how an oil and gas company can rely on responsible leadership as a strategy to deal with issues that affect the energy industry and the company individually. It highlights the behaviours and actions the company followed that allowed it to overcome challenges faced throughout the years without compromising its values or at the expense of its stakeholders. It also illustrates how a company's culture can positively influence its performance.

The case study suits both undergraduates and masters and is aimed for leadership, strategy, or responsible business courses, providing students with evidence of how responsible leadership can be a valuable strategy for any company that intends to be responsible (both towards the environment and socially). Regarding its educational purpose, it will allow students to see how important theoretical concepts like change management and organizational culture materialize in a company's everyday business.

The literature review's emphasis is on the trends of the market regarding energetic transition and how responsible leadership, organizational culture, and change management are intertwined and necessary to ensure the company's prosperity.

The BP case study will allow students to:

- Understand the various levels of responsible leadership that a company can have; some more particular of the energy sector, others transversal to all industries, namely the measures taken on the firm level.
- Understand that responsible leadership came naturally to BP, that the external context clearly influences the implementation of such measures, and it does not simply rely on the leader's ideas and decisions, even though these are still very relevant.
- Realize that responsible leadership, contrary to what many think, is not just about doing good; and that to do good, companies still have to be profitable and present positive results. Responsibility also relies on how those results are then used as funding for better alternatives.
- See how responsible leadership can turn out to be a source of competitive advantage and how it delivers positive outcomes to the company.

- Learn how to implement change at the internal level of a company, and make employees embrace it, even when it apparently is not a very appealing idea. Analyse a real-life example of a situation when a company faces a challenge that forces it to implement change across the organization and what steps it took that allowed such transition to be done smoothly.
- Comprehend the reasons that explain why a company like BP has survived for over 100 years. How it is able to keep up with the market trends and volatility and still be able to stray truthful to its values and beliefs while delivering what consumers need.
- Conclude that even though there has been progress in the area of investment in sustainability and responsibility, there are still stakeholders who value their short-term results over profits of more uncertain investments, and that will take longer to be observed.
- Make students recognize how oil and gas companies are important in the shift towards innovations, specifically in the renewable energy sector. Even though this is still seen by many as a business that can never be truly responsible, it is actually one of the main drivers for alternative and sustainable practices.
- Students should be able to understand that the current profits the energy sector obtains from the exploration of fossil fuels represent a great percentage of the world's GDP, therefore, will be fundamental to funding the development of renewable sources of energy and transition to carbon neutrality, as to do so, huge investments over the years will be required.

Assignment Questions

The following questions are suggested to help students prepare for the in-class discussion:

1. Find evidence of responsible leadership at BP.
2. What were the main challenges and strategic decisions that BP faced over the years?
3. What are your recommendations for the leaders of BP?

Class Plan

1. In what ways did BP prove to be responsible towards its employees?
2. How did the leaders' behaviour and actions influence BP's culture?

3. How did BP manage the discontentment of many employees when facing the office relocation?
4. How do you justify the change in the value of shares at the moments BP announced it was committed to being more sustainable?
5. How can situations like the project in Vila Nova de Paiva affect BP Portugal?
6. Identify the critical success factors that allowed BP to remain relevant and successful for over 100 years.
7. How can the role of oil companies like BP be fundamental to finding new, more responsible solutions for some of the world's biggest problems?

The plan described above has the objective of helping the teacher guide the class in a way that allows students to discuss the three assignment questions of the case in more detail.

The case analysis should be divided into three parts, each one concerning one of the assignment questions.

- To answer the first question about responsible leadership in the company, the professor of the class should ask students questions 1 to 3 of the class plan.
- For the second question of the case study, regarding the challenges found by BP throughout time, the relevant answer topics are developed in questions 4 and 5.
- The guidelines for the last question of the case can be found in the answer to questions 6 and 7.

If students intend to get a deeper understanding of the theoretical concepts that are to be addressed in the assignment questions, the following readings are recommended:

- Azeem, M., Ahmed, M., Haider, S., & Sajjad, M. (2021). Expanding competitive advantage through organizational culture, knowledge sharing and organizational innovation. *Technology in Society*, 66, 101635. DOI:10.1016/j.techsoc.2021.101635.
- Hofstede, G., Hofstede, G.J., & Minkov, M. (2010). *Cultures and organizations: Software of the mind*, (3rd ed.). McGraw-Hill Professional.
- Kotter, J.P., & Rathgeber, H. (2017). *Our iceberg is melting: Changing under any condition*. London: Pan Macmillan.
- Muff, K., Delacoste, C., & Dyllick, T. (2022). Responsible leadership competencies in leaders around the world: Assessing stakeholder engagement, ethics and values, systems

thinking and innovation competencies in leaders around the world. *Corporate Social Responsibility and Environmental Management*, 29(1), 273–292. DOI:10.1002/csr.2216.

- Schein, E.H. (2010). *Organizational culture and leadership*, (4th ed.). John Wiley & Sons.

Analysis

1. In what ways did BP prove to be responsible towards its employees?

The concern for its employees is evidence of responsible leadership at BP. The company was proud of promoting people by merit and for being, from the early beginning, fair in their recruitment processes and in the way they treated employees. Regardless of gender, race, or religious belief, everyone was given the same opportunities at the company, a characteristic which is visible until today, in a time when the subject has become more important than ever.

The company invests in its employees as a mean to show its appreciation for the work they do. In that sense, BP incentivizes the personal and professional development of its employees, motivating them to invest their time in their growth. The company has developed a multitude of courses and apps that the employees have access to that foments the development of soft and technical skills required for their daily tasks. Additionally, it helps them connect with each other and promotes healthy leisure activities that BP considers also essential for the motivation and mental health of the group. From recipes to workouts, employees have access to a great variety of alternatives they can use for their own wellness and development.

In a dynamic environment like the energy sector, it is important to keep up with the most recent trends, legislations, codes of conduct, and ethical decision-making; therefore, BP offers courses about these same subjects to facilitate access to such knowledge to their collaborators. It makes their work easier because all the information they need about each topic is available at the touch of a screen, and constantly updates them when there are news in the sector or code of conduct.

In what concerns face to face interaction at the office with each other, the company put its efforts into the creation of several initiatives to get people together at the company. Some examples are the annual informal events the company organized (such as Christmas and Easter) and the weekly breakfasts that strengthened the relationship between the CEO and the team.

As it was mentioned in the case, there are employees that have been working for the company for over 20 years, meaning that the company's strategy had positive effects. By feeling part of the company and valued by their employer, employees feel more motivated, therefore, are more productive and have a better performance. In a world where, currently, people are looking for a company where they feel comfortable and happy and are constantly encouraged to improve their skills, companies must invest in their human capital to make sure the retention rates increase, and turnover rates decrease. This is yet another example of how the company is responsible towards those that ensure its success and acknowledges its employees as a vital piece of the business.

2. How did the leaders' behaviour and actions influence BP's culture?

The role of leaders in fostering an organizational culture is very relevant. They are the role models of all the employees and whom they should look up to as inspiration. In fact, a leader is only a leader if he/she has followers, meaning people that are willing to work by his/her instructions and follow his/her steps. By setting the standard and deciding how to approach individual situations, leaders are able to set the standard for later. So, if that problem re-emerges, the company's employees know how to address it because they have seen that approach work before. In the case of BP, its organizational culture developed exactly like that. When the leaders of the company emphasize the need to be more sustainable and shift the focus of BP into new and more responsible practices, their employees understand their importance and undertake that path themselves.

As a matter of fact, the leaders set the standard for the culture of the company very early on. In 1997, the CEO of BP made a disruptive speech where he highlighted how imperative it was that companies acknowledged their actions and the impacts they had on the environment. It was understood there were new demands and challenges, a direct consequence of a more consumerist world, and how it negatively affected CO₂ emissions, global warming, and climate change. By having the CEO of the company people work for acknowledge the importance of such factors and seeing such a great emphasis on being a responsible business coming from their superiors, a change of mind across the company is an inevitable outcome.

If leaders take the first steps to change the purpose of the company, the members of the organization will follow. In the case of BP, it was observed that one of Portugal's CEOs believed in treating everyone in the company the same way he intended others to behave towards him.

As a result, he implemented in the company a more informal and relaxed environment, brought people closer, and allowed them to be more open regarding any doubts they might have and were never encouraged to ask before. By cultivating an environment where mistakes are accepted and not a source of criticism or considered bad results, employees were incentivized to innovate and think creatively. Today, these same behaviours are part of the company's code of conduct and have become a basic assumption shared and understood by all of BP's members. This practice became one of the core leadership principles of the company, as it can be read in Exhibit 8. Further, since the company was tolerant and accepted feedback from the decisions leaders made, it allowed leaders themselves to become more self-aware and be critical of their work. This practice was then extended to the entire company.

Another example where this can be observed was in being an inclusive company from the beginning. People that worked for the company understood the benefits of having a multicultural team with people from different backgrounds. Such decisions impact is then easily translated into results, that are to be expected from a diverse team, and the team itself learns to be more receptive to diversity.

In conclusion, when most of the employees share the same values and assumptions, they become a staple for the entire company; they develop to be the company's organizational culture. It takes the leadership team to set the example so that others then follow and act by the same principles. When the members of the organization observe the positive outcomes of such measures, they too will act accordingly and follow the same path their leaders took.

3. How did BP manage the discontentment of many employees when facing the office relocation?

With the change of offices, BP showed that its commitment to being a responsible company went beyond just decarbonization goals. The company wanted to make this transition as smooth as possible and ensure its employees embraced the idea. To address the issue, BP followed some steps of Kotter's leading change management framework.

The announcement of the change of office from a privileged location in the center of Lisbon to a further destination did not come as great news for all of BP's employees. Those who lived further from the headquarters at the time were pleased with the decision; however, the employees that lived closer to the city center were not so satisfied, as such change would have a significant impact on their lives. BP understood that if it wanted the transition to be successful,

it was necessary to implement some measures that would make everyone in the company see this change of office was a new opportunity for the company rather than an inconvenience.

First, BP made the decision to include its employees in the process and have them take a role in the office change themselves. This aimed to turn those that could potentially be obstacles into drivers of change. In that sense, instead of merely moving to a new working space, employees would be working in a place built especially for them, and by them. It would be a place to accommodate their needs at work, making it a more pleasant experience. Employees would oversee the choice of decorations and design of the areas where they would be working in. They were in charge of choosing the motifs of the offices where they would be working and later also decided on the furniture. Making them part of the process had the purpose of turning the moving process into a rewarding experience for the employees.

This was no longer about moving to a new location; now, employees desired this change that they had accompanied for quite some time. Being able to observe and keep up with the entire building and decoration process, they ended up perceiving it as the result of their work, that they were also responsible for making this transition smooth. By setting up regular trips to the construction site and being able to watch live on their work computers the progress and updates on the constructions, it created a feeling of excitement towards the incoming change. These small actions were, for employees, little wins and moments where they would be satisfied with having a saying in this complex process. In the end, when it was time to finally move to the new office, and after following the entire process, the employees were already accustomed to the idea of the relocation of the headquarters, and it was no longer seen as a problem because they were going to work in a place designed to their taste, a more modern building and the excitement for the change overtook the initial concerns.

4. How do you justify the change in the value of shares at the moments BP announced it was committed to being more sustainable?

In 1997, after the speech of BP's CEO, the value of BP's shares decreased, as mentioned in the case study. This happened because it came as a vision that was ahead of its time, and society was not ready for such dramatic changes. Investors were still too comfortable with the high results coming from the current business model and were not interested in a disruptive approach that was not safe and did not seem to be relevant enough. At the turn of the century, many consumers did not value sustainability, and it was not even a commonly addressed topic. This

situation was not perceived as an opportunity for investment, but rather as an idea that would destroy value for the company.

Twenty years later, BP's CEO, Bernard Looney, made a statement that somewhat resembled the one previously made by John Browne. This time, BP went further. Not only was the company fully committed to fighting climate change and aware of the need to implement changes in the business, but it made a clear statement regarding the goals it aimed to achieve. Bernard Looney announced the company would decrease, in around 40%, its carbon emissions, by 2030. The results did not differ much from what happened in 1997. The shares' value decreased significantly (Exhibit 10). Once more, it was evident that there were still people reluctant to change. Some shareholders were still too concerned with their profits and valued short-term results more than long-term ones, which were uncertain and way too progressive for their views and objectives.

Even in 2023, when the company took back the previous statement and decided to reduce the emissions by 20% instead of the initial 40%, it was observed that the share price increased (Exhibit 11). This comes to show that some stakeholders still have a very conservative vision regarding the concept of corporate sustainability and responsible businesses and that the cost of opportunity of these strategies is still too high for some investors. They do not risk their short-term profits over future investment success, which will take longer to bring results and which results are a bit more uncertain.

5. How can situations like the project in Vila Nova de Paiva affect BP Portugal?

For long-term projects, which require great financing in research and development, analysis and choice of territory, and evaluation of viability, investors expect that once these are successful, they will retrieve their money, and profit, even if it takes years before the results are visible. The project of Vila Nova de Paiva, developed to be implemented in Portugal and Spain at the same time, proved to have much quicker results in Spain. In fact, both countries had to pass through extensive processes of waiting for licenses and permits to be issued to operate in the chosen areas. Moreover, it involved making impact evaluations to understand if there would be any consequences that would negatively impact the flora and fauna of the territory, and such steps, take time. However, the company expects such long processes when it first decides to go through with the idea of implementing innovative and pioneer projects in the area of energy transition.

The issue BP Portugal verified, and the ultimate problem it endured, relies on the fact that Portugal is a more bureaucratic country than Spain. While in the neighboring country everything went smoothly and according to plan, and is currently already operating, the same did not happen in Portugal. And while one country is already getting results from the big investment in the project, the other one is still on standby, waiting for permits to be issued.

The consequences of this situation can be that BP's headquarters will perceive Spain as a more reliable and lucrative investment opportunity because investors get their money back in the predetermined period, while in Portugal there are still no predictions as to when the project will kick off. Such a difference can make investors focus their next projects in Spain instead of Portugal, as it seems to represent a better investment opportunity once processes are handled quicker and more efficiently. Less investment in such innovative processes, and a greater delay in their materialization, can leave Portugal behind in a sector where it has the potential to be a pioneer.

This is an example of a situation where shareholders are not willing to wait for long-term profits, knowing that the exact same project can be easily and quickly implemented in the neighboring country. If investors know they will have a positive return in Spain, and in Portugal it is still quite uncertain, they will choose Spain as the destination of their next investment. So, BP, who has everything ready to launch the project, people relying on it to get a job, cannot move forward and is watching investors moving away from Portugal for future projects.

6. Identify the critical success factors that allowed BP to remain relevant and successful for over 100 years.

BP always kept up with the latest trends, being a pioneer in their adoption and development. Ever since there was a change in paradigm and sustainability started to be addressed by society and demanded by stakeholders, BP understood its relevance and embraced it as part of its strategy. In a way, BP managed to see, very early on, that it was not just a trend but rather what would become the go-to way of running the business.

In 1997 the company was already concerned with climate change and the effects of CO₂ emissions, a result of its operations. Taking that into consideration, in Portugal, the company started to invest in alternatives to oil, like hydrogen and solar panels. Until today, BP continues to do so, always looking for new and better alternatives to replace fossil fuels. So, even though its initial business was oil and gas, the company managed to greatly diversify its portfolio into

different directions, allowing it to remain relevant and offering up to date solutions for modern problems.

The company embraced the new changes of the business world very early on and understood their advantages and potential. It was the case of gender and diversity in the workplace. Before there were any studies and evidence that it benefited companies to be more inclusive, BP was already hiring more women and creating a very multicultural team. Today, the results are clear and a direct result of the early efforts into this cause: as of 2023, BP counts with over 50% of women in the Portuguese team and with an Administrative Council composition where 75% of the members are women.

The brand was always well known for being reliable and trustworthy, which made consumers see it as a safe choice. By being truthful to its own values, even when it faced issues, its business partners saw the company as an honest and reliable partner that did not compromise its principles. This was clearly observed in the case of the simple fuels' legislation. BP's products tend to be priced high because, as the company states, it offers high quality fuels. This situation was challenged by legislation that came out in 2016 as a solution to fight the high fuel prices companies were charging at that time. The law forced all providers to offer a product called "simple fuels," and such a product was never part of BP's fuel portfolio. As a premium company, with a slightly higher price range, in comparison to the remaining offer, this law would come as a barrier to BP's strategy. Indeed, it would force the company to increase its portfolio regarding its product offer and include a cheaper fuel. This went against the purpose and values of the company and would change its position in the market and its business approach. BP positioned itself against this idea and fought it. The results were that, in the end, they managed not to have to add this new low-end product to their gas stations and keep their positioning, standing by its principles and ideals.

In a way, what allowed the company to continue to be relevant and successful was its adaptability skills. BP managed to continuously innovate and to identify good investment opportunities. From its environmental concerns to being inclusive with its recruiting processes, the company was always able to reinvent itself as time and ideas changed. So whenever new opportunities emerged, BP did not stand down to see how they would develop; instead, it was a pioneer in the sector.

7. How can the role of oil companies like BP be fundamental to finding new, more responsible solutions for some of the world's biggest problems?

BP should stay true to its intentions to transition to a carbon neutral sector. Even though some shareholders do not totally support investments in sustainability and responsibility, a lot of others have changed their minds and started to realize the importance of following that direction. Besides, as it has been observed, in the last years, being a responsible company has become more and more important for long-term success.

BP has proven to be a pioneer in this subject. It was the first and only energy company to ever pay off its carbon credit without any repercussions for its consumers. BP is also very invested in new innovative ways to change the reliability of fossil fuels and switch to renewable energy sources, while making sure it follows the EU goals for the energy sector. This, eventually, will show consumers that energy companies are indeed responsible and can make up for the negative effects of past activities.

Further, once consumers realize the important role that oil and gas companies have in the energetic transition, these will be perceived as boosters of responsible business. Companies have, however, to educate consumers about how much society still relies on fossil fuels and that for this transition to occur, it requires heavy investments that such companies have to make, with the results they got from the oil exploration business.

While renewable sources of energy are steadily growing and are predicted to continue to do so, their prices are gradually decreasing. This source of energy is expected to become one of the go-to energy providing systems in the future. Therefore, by putting its effort into renewable energies and developing strategies that go in the direction of carbon neutrality, BP's decision can only have a positive outcome, giving the company a competitive advantage. If BP has the first mover advantage in expanding its business in this area, it can mean that in the future, customers will turn to them, as they will offer more competitive value propositions, outperforming other companies that are not that invested in this area yet.

Conclusion

The development of this case study allowed me to get some valuable insights into the energy sector and its path toward being a more responsible industry. By studying the history of BP in the last 25 years, I was able to have a broader vision of the evolution of the brand and the challenges it underwent to get to where it is today. It is evident how society still poorly perceives companies that have a business in the oil and gas sector. However, it is also interesting to understand that the paradigm is changing. Governments are acknowledging the importance of companies like BP to reach the desired energetic transition they committed to. This does not, however, come without challenges. Even though very different from the past, there are still some obstacles to the implementation of innovative ideas and projects in the area of renewable energy sources.

It was very interesting to observe that BP was, from the very early beginning, a pioneer in the implementation of responsibility also toward its employees, being a fair recruiter, and never discriminating based on any factors. It is also to highlight the attitude of the company in motivating those who are responsible for its success to improve their skills and learn more about topics that are of their interest.

The recommendations for the company, proposed in the teaching note, are that BP should continue to stay true to its values and principles and actively promote a responsible leadership style. It has proved to work in the past, and it is one of the reasons that allowed the company to remain competitive and relevant until today. Further, continuously being on top of all the trends in the energy sector and focusing on innovating is advised, as with the gradual decrease in the consumption of fossil fuels and with the gradual transition to renewable sources of energy, being a pioneer can prove to be a source of competitive advantage in the future.

The use of this case study in a classroom context will help teachers to address the topic of responsible leadership through the analysis of the relevant measures the company implemented over the years. It will also allow students to gain a deeper knowledge about the energy sector, the changes it has endured throughout time, and the efforts such an important industry puts into sustainability. Further, it aims to make them understand that big corporations like BP will play a crucial role in the energy transition, as they have the resources and motivation to invest in this process. Lastly, it comes as a way to explain to future leaders how complex it is to become a responsible business and the dedication companies have to put into achieving it.

Appendix

Case Study Exhibits



Exhibit 1: BP’s sustainability framework.²

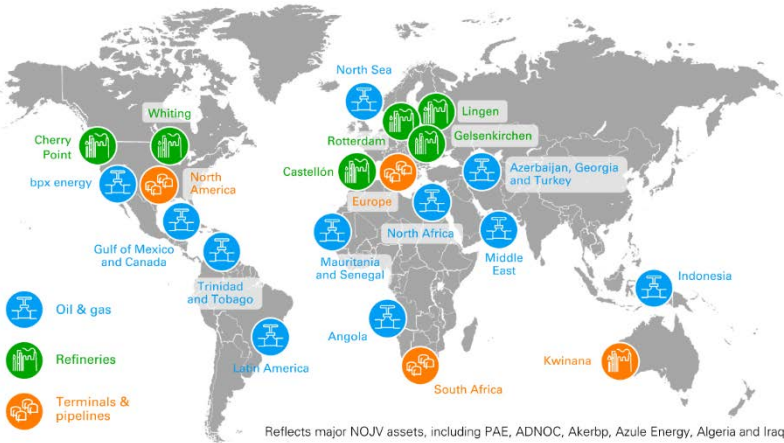


Exhibit 2: BP’s production and operations around the globe.³

² BP’s Sustainability Report 2022: www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/group-reports/bp-sustainability-report-2022.pdf

³ BP’s Website: www.bp.com/en/global/corporate/what-we-do/production-and-operations.html



Exhibit 3: First self-service gas station in Portugal (1986).⁴



Exhibit 4: Example of a BP Shop.

Gender	Number of employees	Percentage
Women	51	53.125%
Men	45	46.875%

Exhibit 5: Gender quota of BP's employees in Portugal (2023).
(Table based on data provided by BP Portugal)

⁴ BP's Website: www.bp.com/pt_pt/portugal/home/sobre-nos/bp-portugal/historia.html#tab_anos%2080




		
<p>We assess</p> <p>Generally, when a concern is raised, a triage team (incl. E&C, P&C and the ECL) will decide whether to handle the concern through management action or investigation. The process will always stay confidential, subject to need-to-know protocols.</p>	<p>We address</p> <p>If handled as a management action, the business will provide guidance to those involved.</p> <p>If we decide to investigate, BI will conduct a thorough, timely investigation by obtaining and analyzing the relevant facts to make a determination.</p>	<p>We act</p> <p>The appointed person from the business will discuss the findings and decide what action should be taken. This may include disciplinary action consistent with bp's disciplinary policy. Feedback is provided to the individual who raised the concern, in accordance with our confidentiality principles.</p>

Exhibit 6: BP's framework for handling unethical behaviours.⁵

<i>Who We're</i>		
<p><i>Live our purpose</i></p> <p>Safety comes first Look after each other and our company – in the real world and online</p> <p>Make a positive impact Everywhere we work – and with everyone we work with</p> <p>Do the right thing Always follow our code</p>	<p><i>Play to win</i></p> <p>Know the competition There is always someone better – we seek out different views and learn from them</p> <p>Keep improving Become more agile, more digital and more efficient with the money we spend</p> <p>Be accountable We follow through on our promises. When we can't – or make mistakes – we own it</p>	<p><i>Care for others</i></p> <p>Be kind Get to know those you work with, show real interest, be supportive</p> <p>Prioritize the team Leave your ego at the door, be inclusive, collaborative and open to honest feedback</p> <p>Put yourself in other people's shoes Especially our partners, suppliers and customers – ask how we can help them</p>

Exhibit 7: BP's beliefs and code of conduct.⁵

⁵ BP's Code of Conduct 2022: www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/who-we-are/our-code-our-responsibility.pdf



Exhibit 8: BP’s Safety Leadership Principles.⁶

Air emissions
by substance (kt)

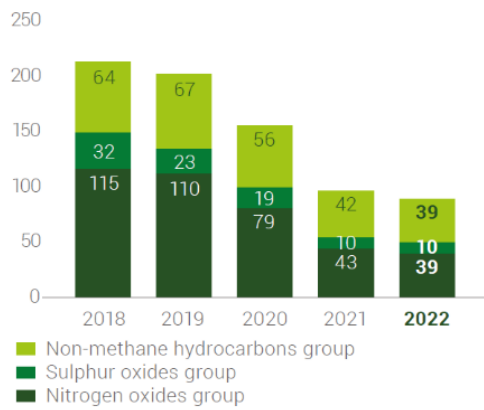


Exhibit 9: Reduction of the air emissions of BP.⁷

⁶ BP’s Code of Conduct 2022: www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/who-we-are/our-code-our-responsibility.pdf

⁷ BP’s Sustainability Report 2022: www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/sustainability/group-reports/bp-sustainability-report-2022.pdf

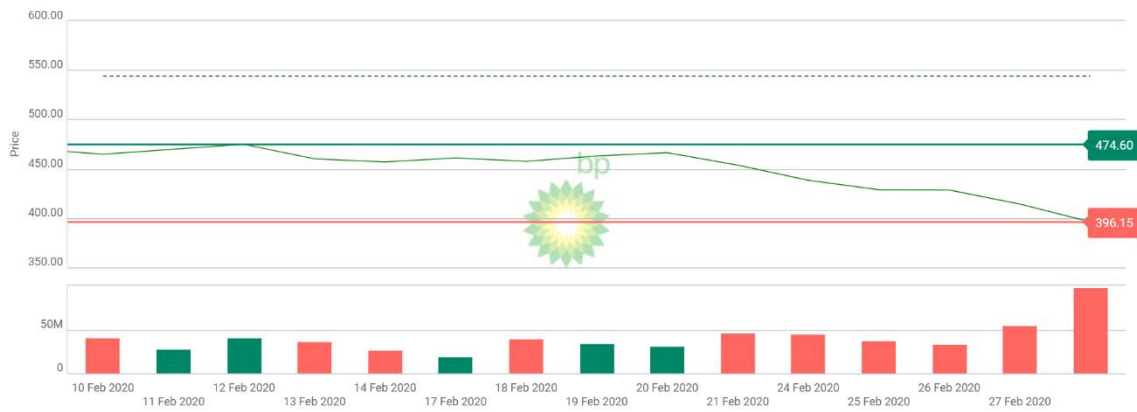
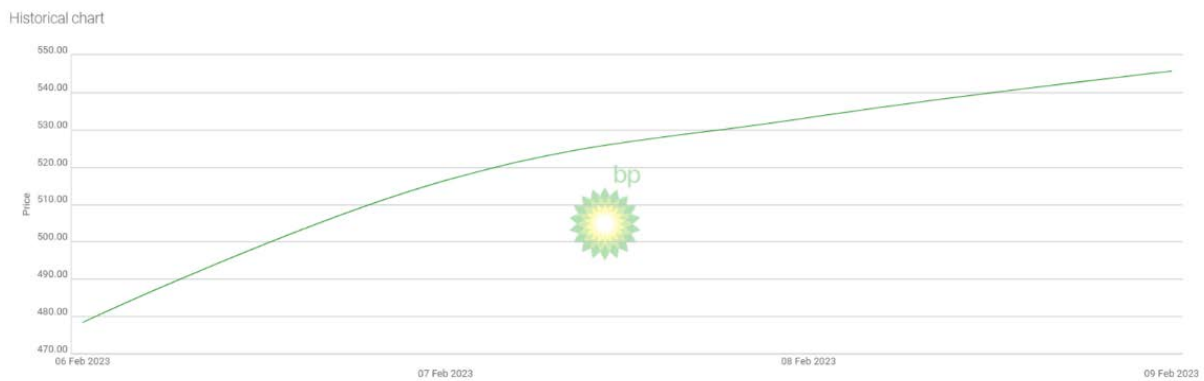


Exhibit 10: Share prices of BP from the 12th to the 28th of February 2020.⁸



Change (%):		14.08	09 Feb 2023
Change (Absolute):		67.35	09 Feb 2023
Highest price:		545.70	09 Feb 2023
Lowest price:		475.55	06 Feb 2023
Highest volume:		112,422,297	07 Feb 2023
Lowest volume:		39,657,088	06 Feb 2023

Date	Open	High	Low	Close	Volume
09 Feb 2023	532.90	545.70	532.10	545.70	97,963,706
08 Feb 2023	528.00	533.70	523.90	533.20	83,266,185
07 Feb 2023	494.15	516.40	488.00	516.40	112,422,297
06 Feb 2023	488.50	488.50	475.55	478.35	39,657,088

Exhibit 11: Share prices of BP from the 6th to the 10th of February 2023.⁸

⁸ BP's Website: www.bp.com/en/global/corporate/investors/investor-tools/share-price-history.html

Energy security concerns reduce the role of oil and natural gas imports

Oil & gas imports as a share of primary energy in *New Momentum*



Exhibit 12: Predictions on the dependence on fossil fuels.⁹

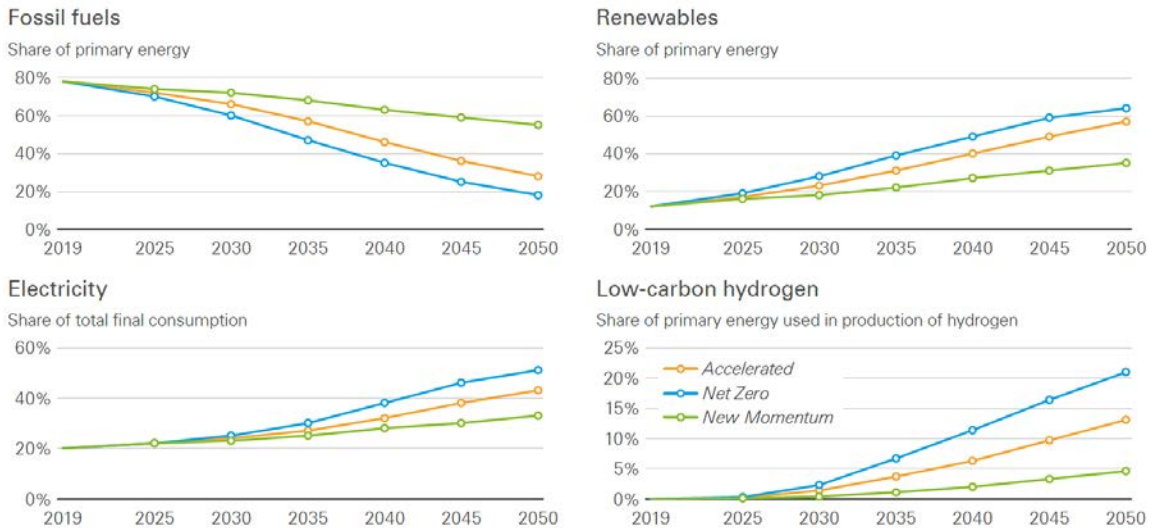
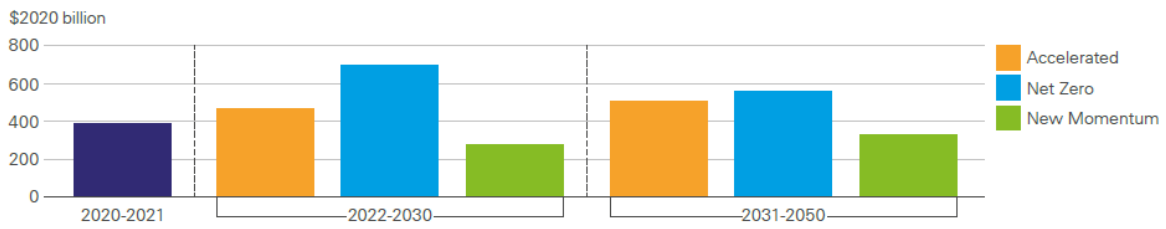


Exhibit 13: Trends for the future of global energy.⁹

⁹ BP's Energy Outlook 2023: www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/energy-outlook/bp-energy-outlook-2023.pdf

Average annual investment in wind and solar



Average annual investment in upstream oil and gas

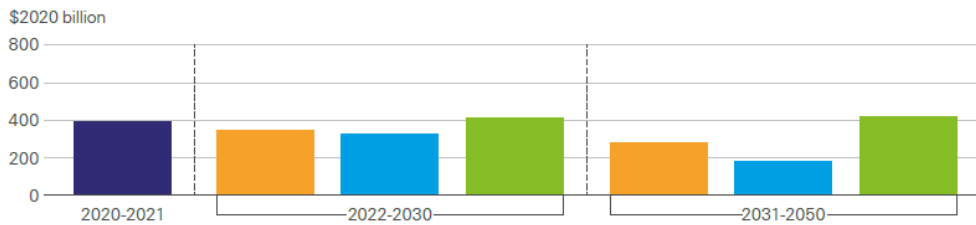


Exhibit 14: Predictions on the future investments in renewable energies and oil and gas.¹⁰

The share of renewables in global power generation continued to increase

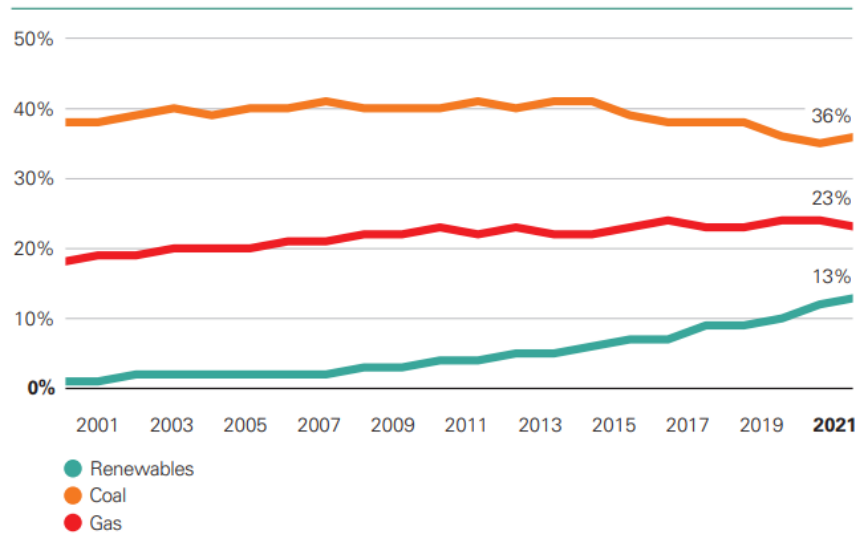


Exhibit 15: Share of renewable energies, coal, and gas from 2001 to 2021.¹¹

¹⁰ BP's Energy Outlook 2023: www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/energy-outlook/bp-energy-outlook-2023.pdf

¹¹ BP's Statistical Review of World Energy 2022: www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2022-full-report.pdf



Exhibit 16: Bus of the CUTE (Clean Urban Transport for Europe) project in Oporto.¹²

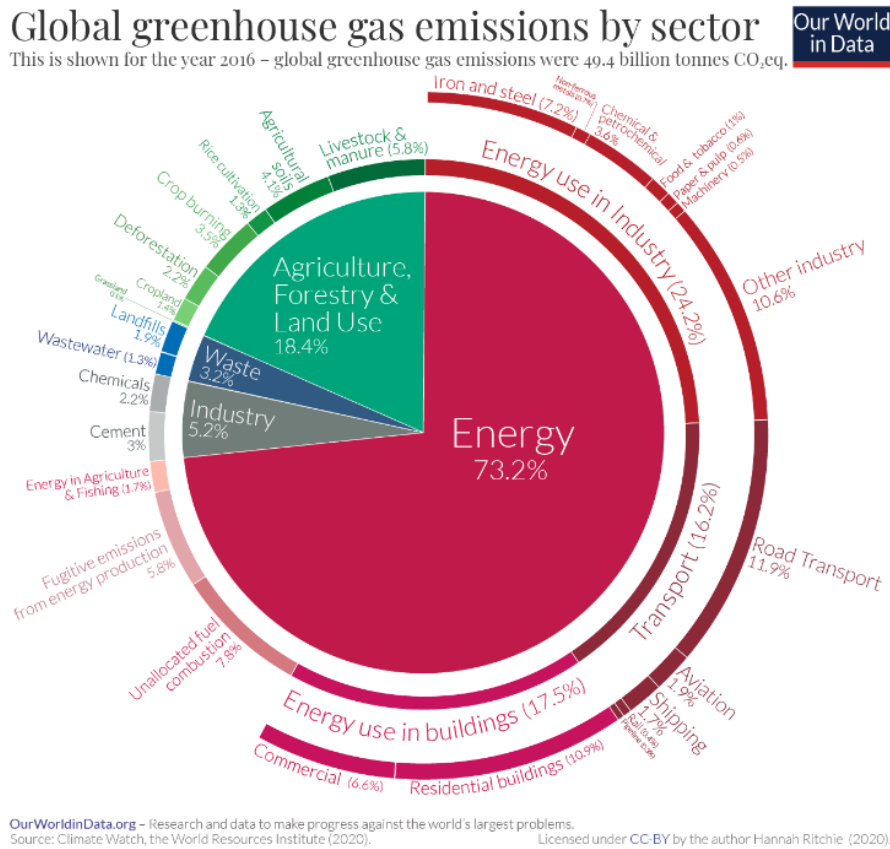


Exhibit 17: Global greenhouse gas emissions by sector.¹³

¹² www.researchgate.net/figure/Figura-14-Autocarro-movido-a-Hidrogenio-Porto-Farias-2004_fig4_337878379

¹³ ourworldindata.org/emissions-by-sector

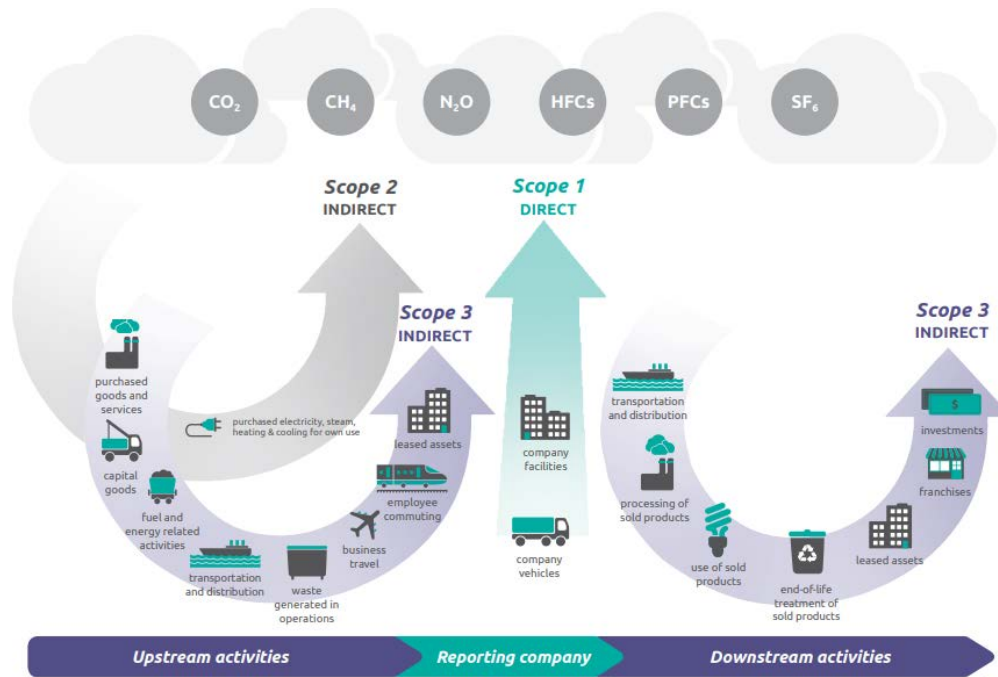


Exhibit 18: The three scopes of greenhouse gas emissions.¹⁴

¹⁴ Read, S. (2022, 20 September)

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