

Background

When things go wrong

It is a sad fact of life that things can and do go wrong. Sooner or later a firm is going to be faced with a crisis. How the firm handles it can determine whether the crisis develops into a catastrophe. *Snow Brand* dairy food products of Japan is a lesson in how not to manage a crisis. In 2000, 15,000 people were affected by food poisoning after consuming its products. At first, the company resisted calls by Osaka council for a general recall, but when it eventually gave way, it tried to save face by claiming that the recall was **voluntary**. When the story got out, the public was **outraged**. To make matters worse, *Snow Brand* lied about the source of the contamination, saying that the equipment where it occurred was rarely used. In fact it was used every day. The **fall out** was disastrous: its president and seven senior executives were forced to resign, eight factories closed down, and the firm lost \$430 million. Since the incident, it has returned to about 30% of the market but has lost its once dominant position.

Johnson and Johnson has had more than its share of crises to deal with. In 1982 it had over a third of the over-the-counter painkiller market. Its product Tylenol was the market leader. Then disaster struck: someone tampered with its Tylenol painkiller by adding poison and seven people died. The company's value dropped by \$1 billion. But when a similar situation occurred in 1986, it acted decisively. It recalled Tylenol from all its sales outlets and decided not to re-introduce it until it had come up with a **tamper-proof** packaging. Of course, the second **scare** had an impact but the company's response and its willingness to introduce further safety measures meant it had

won back 70% of its market share within just five months.

Pepsi too was the target of a product tampering scare when a syringe was allegedly found in one of its soft drink tins. This led to copycat incidents all over the country. Pepsi handled the crisis by showing films of its canning plants on TV, proving to the public that contamination was impossible. It also showed a clip of a supermarket customer putting a syringe into a can while the cashier's back was turned! The crisis was short-lived and the public was reassured. Eventually all the accusations were proved to be false. However, it cost the company dear, and led to a short-term drop in profits, but at least a **full-blown** catastrophe was **averted**.

By contrast, Perrier's **botched** handling of a benzene contamination problem (due to negligence rather than tampering) was catastrophically handled. It led to the eventual recall of 160 million bottles and more than five years to make good the damage to Perrier's reputation.

So the lessons that we can learn from this is that no one is immune to a crisis. Inevitably, the company suffers in the short term, as consumer panic is followed by a drop in sales and share value. But the way the firm handles the breakdown determines how long the difficulties will last and how full a recovery it makes. The openness and sincerity with which it deals with the problem are all important. There will be losses, there will be pain, but skillfully dealt with, this can be cut short and the company can bounce back. It may even enhance its reputation in the longer term.

Exercises

1 Work with a partner. Discuss these questions.

- 1 Has there ever been a health or safety scare in your country where a well-known product caused illness or injury?
- 2 How well did the company handle the crisis? Did it recall the product?
- 3 What were the consequences for the firm?

2 Read the first paragraph of the text. What major mistakes did *Snow Brand* make? What were the consequences for the business?

3 Read the rest of the text and complete this table.

Company	Cause of the crisis	Company's response	Consequences
<i>Johnson & Johnson</i>			
<i>Pepsi</i>			
<i>Perrier</i>			

4 Imagine it is the year 2000. You are talking to the President of *Snow Brand* when the news about the food poisoning outbreak comes in. What advice do you give to its president?

5 Match 1–7 to a–g to form collocations from the text.

- | | |
|----------------|--------------|
| 1 save | a face |
| 2 dominant | b tampering |
| 3 product | c decisively |
| 4 safety | d term |
| 5 act | e share |
| 6 market | f position |
| 7 short / long | g measures |

6 Replace the words in *italics* with the words in **bold** in the text. Make any other changes that are necessary.

- 1 You don't have to join the scheme if you don't want to, it's *entirely your decision*.
- 2 People were *absolutely furious* when they found out the truth.
- 3 The *consequences* of the report were devastating for the company.
- 4 The assassination attempt was *badly handled* and the president was unharmed.
- 5 *People can't mess around with* the containers now: we have changed the packaging.
- 6 We managed to *avoid a complete scandal* by telling the press the truth.
- 7 There was a bomb *alert* at the shopping centre, but it turned out to be a hoax.

7 Look back at the text and choose three words that you could use in your day-to-day work.

8 Read the definition of hindsight. People say that hindsight always has 20/20 vision. What do you think this means? Do you agree?

Hindsight: the understanding of a situation that you have only after it has happened and that means you would have done things in a different way.

9 Can you think of a time when, with hindsight, you would have handled a business problem differently?