



# **The Role of Crisis Management for the Sustainability in the Global Scenario - A Case Study**

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## **Abstract**

Crisis management is the process which involves the way an organization deals with a major problem that is a threat to the organization, its stakeholders or the people in general. Crisis management helps in transforming the old system which cannot be maintained any longer into a new one. It focuses on the need for change in terms of enhancing quality. Every organization requires a department that operates and deals with the crisis management in the organization. Effective crisis management alone is the solution for the unforeseen problems that an organization faces from time to time. Therefore, every organization should give importance to the crisis management.

The present paper explores crisis management, its definition, importance, and the challenges faced. It presents the way crisis management is handled by some of the reputed companies in the world. It deals with the case studies of popular companies such as Cadbury and Toyota, the problems faced by these companies during the period of crises and the ways in which they dealt with the problems and enhanced the quality of functioning of their organizations thereby protecting the image of their companies. The study presents the actual crises faced by the companies, the measures taken to address the issues and the key findings.

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## **Definition of Crisis**

Crisis can occur in any industry. It is important to understand what a crisis is so as to know the effects it has on the business organizations. There are many ways in which the word "crisis" has been defined by the eminent scholars. Jerome (2008) defines crisis communication as "the piece of crisis management that consists of the verbal, visual, and/or written interaction between the organization and its publics (often through the news media) prior to, during, and after the negative occurrence" (p. 124). Hoffman and Ford (2010) define "the exigencies in crisis management rhetoric is a crisis." (p. 191). Crisis leads to chaos and uncertainty and there by threatens the image of the organization.

## **Introduction to Crisis Management**

Crisis Management is the procedure by which an organization deals with a main event that threatens and leads to injustice to the organization, its stakeholders, or the general public. "Corporate crises are disasters precipitated by people, organizational structures, economics, and/or technology that cause extensive damage to human life and natural and social environments. They inevitably debilitate both the financial structure and the reputation of a large organization." (Ian I. Mitroff, Paul Shrivastava, Firdaus E. Udwardia). Crisis includes three basic elements: a) a threat to the organization, b) an element of surprise, and c) a short time for decision.

## **Importance of Crisis Management**

Crisis Management is very important for any organization whether it is a tiny one or a giant organization. Crisis management only can deal with the continuous problems that the organizations face from time to time. It helps in dealing with the present problems in the organizations, in foreseeing or predicting the problem, and in facing sudden problems that occur in the organization. It involves an overall coordination of an organization in responding to the crisis. It also needs effective and timely response to the problem. This helps to avoid or minimize the damage to the organization.

Ensuring prompt attention towards the problem protects the profitability, reputation and capability of the organization. Lack of proper crisis management mechanism might have negative effects on the organization.

There are various types of crises like technological crises, organizational misdeeds, rumours and natural disasters etc. However, “no one can prevent all disasters-let alone predict how, when, and where they will occur-organizations can adopt a systematic and comprehensive perspective for managing them more effectively.” (Ian I. Mitroff, Paul Shrivastava, Firdaus E. Udwadia) In other words, effective crisis management system in an organization can prevent or at least solve the problems that the organization might face. Crisis is inevitable to appear in any field in spite of taking all the preventive measures. As Robert Collier quotes (American motivational author, 1885-1950) “Sooner or later comes a **crisis** in our affairs, and how we meet it determines our future happiness and success. Since the beginning of time, every form of life has been called upon to meet such **crisis**.”

## **Case Study 1**

**Cadbury** is a British confectionery company owned by Mondelez International. It is the second largest industry after Mars. It was established in Birmingham by John Cadbury 1824, who used to sell tea, coffee and drinking chocolate. Dairy Milk chocolate, the Crème Egg and the Roses are some of the famous products of this company. In fact Dairy Milk chocolate was introduced in 1905. The headquarters of Cadbury is located in London. It conducts its business globally in more than fifty countries.

**Products of Cadbury:** Cadbury produces several quality products and markets them all over the world. Some the products made by the company are Blocks of Chocolate, Chocolate Bars, Bitesize, Pre-teens Confectionery, Nut Free Products, Kosher Products, Old Gold Blocks, Boxed Chocolates, Biscuits, Pascall Confectionery, and Halal Products.

**Cadbury's Dairy Milk:** Dairy Milk is manufactured by Cadbury Company. It was first introduced in the UK in June 1905. The Dairy Milk products are made with milk chocolate. The Dairy Milk bar

became the best-selling product by 1914. Fruit and Nut bar was introduced in 1928; Whole Nut was introduced in 1933. Dairy Milk bar became popular all over the world.

**Problems Faced by Cadbury:** The Food and Drug Administration Commissioner, India received complaints about infestation in two bars of Cadbury Dairy Milk on 3 October, 2003. It soon became a revolution in media. It was a festival season when the sales were generally expected to be very high as Cadbury is the household name for chocolate. The sales were affected by the widespread news about the infested bars. The retailers and the sales persons were unable to sell the products as their moral too went down. The company faced a real challenge and had to come out of this crisis. FDA commissioner, Uttam Khobragade told CNBC-TV18, "It was presumed that worms got into it at the storage level, but then what about the packing - packaging was not proper or airtight, either ways it's a manufacturing defect with unhygienic conditions or improper packaging." Now, it was important for the company to restore confidence among its stakeholders and maintain its credibility in the market as "The heat of negative publicity melted Cadbury's sales by 30 per cent, at a time when it sees a festive spike of 15 per cent".(Vaid Molshree)

**Crisis Management in Cadbury:** The Cadbury addressed this crisis in two phases. In Phase I the company presented its view about the issue. And in Phase II it had announced the change in packaging.

**Phase I:** Phase I falls within the period October 2003 and December 2003. The company's Managing Director addressed the issue to the public expressing the following concerns:

- a. It was the storage that was responsible for the infestation.
- b. Cadbury's chocolate is safe for human consumption.
- c. Consumers should take care while buying the chocolate as they take care when they buy other products.

The company also started a project named "Project Vishwas (Trust)" an "education initiative covering 190,000 retailers in key states" (Vaid Molshree) and undertook several measures to gain consumers' confidence. The following are some of the immediate measures taken by the company.

- ▲ The monitoring the retailers and educating them.
- ▲ Packages were changed so that the storage problems can be minimised thus ensuring safety.
- ▲ The senior spokespersons were involved in the Editorial Outreach Programme with 31 media editors to share their views with the people in 5 most affected cities.
- ▲ “Facts about Cadbury” a press advertisement was released in 55 publications and 11 languages to reach the business partners and the consumers. The advert covered the facts about Cadbury right from manufacturing to storage.
- ▲ A considerable number of posters and leaflets were printed and shared to publicise the stand taken by the company.
- ▲ A toll free number and an email id was provided to the business partners to report any issues they face during the campaign for the company’ quality.
- ▲ Meeting were conducted with senior managers and the employees and updated them with the proactive steps taken by the company.
- ▲ The employees, the good will ambassadors, were informed constantly about the company’s view point and the measures taken by them.

**Phase II:** Phase II falls within the period January 2004 and March 2004. The company took certain innovative measures during Phase II that proved to be a success in gaining the confidence of the consumers and other stakeholders. Some of the measures are as follows:

- ▲ A new packing called “Purity Sealed Packaging” was started in January 2004. This is a new packing system that involved a double wrapping around the chocolate bar which provided extra protection to keep away from the infestation.
- ▲ This new packing involved millions of dollars. The process was accelerated and within 8 weeks it was finished.

- ▲ The concept of new packing with double wrapping was campaigned through the new brand ambassador, Amitab Bachchan to reiterate the credibility of the company and its products.
- ▲ Amitab Bachchan was their choice because he as a popular film star who can carry the values of the brand to the masses irrespective of the age groups including all the stakeholders.
- ▲ A press conference was conducted in Mumbai to launch the new packaging.
- ▲ Eventually similar conferences were conducted in the major cities where there was crisis viz., Pune, Nagpur, Cochin.
- ▲ “By investing up to Rs 15 crore (Rs 150 million) on imported machinery, Cadbury's revamped the packaging of Dairy Milk. The metallic poly-flow, was costlier by 10-15 per cent, but Cadbury didn't hike the pack price.” (Vaid Molshree)
- ▲ The highlight of the conferences with the video clips of the new packaging from the factory shots and the message from Amitab Bachchan that created excitement and also helped for building up credibility.
- ▲ “The company upped ad spends for the Jan-March quarter by over 15 per cent. The recovery began in May 2004, and by June, Cadbury's claimed that consumer confidence was back.” (Vaid Molshree)
- ▲ The media personnel were allowed to compare the old and the new packing of the products.
- ▲ Later, the spokespersons also had a question and answer session with detailed explanations to the questions asked.
- ▲ An advertisement with Amitab Bachchan which was telecasted helped the sales personnel to market and sell the product.
- ▲ “Sincerity” is the testimonial advertisement with the star talking to the consumers how he visited the company himself and confirmed about the quality of the production of the products. This ad proved to be an instant success.

## **Results of the Crisis Management and Measures Taken**

The results of the efforts of the crisis management of the Cadbury Company can be viewed in three different areas. They are as follows:

**Media:** Media played a vital role in carrying out the company's view point to the public. It was a huge effort taken up by the company to educate the masses about the issue. However, the company was successful in making the media and the public accept that the infestation was due to the storage problems not the quality of the production of the product. The media helped the company get a total of 378 clips in over 11 languages covering the new packaging, and its benefits, in January 2004. Through media the company was able to convince the stakeholders about its view point about the product.

**Sales of the Product:** The sales went down drastically between the first and the tenth week of the crisis. After 8 weeks of the introduction of the new packaging the sales of the product increased immensely. This is the indication for the successful and effective crisis management of the Cadbury.

**Good Will and Image of the Company:** The good will and the image of the company were restored through the efforts of the company. "Cadbury's success was that it took crisis head-on. And the consumers were more forgiving, because the brand enjoyed an emotional equity in India". (Vaid Molshree) The ratings of the consumers were very high post crisis period. This indicates the restoration of the credibility for the company. Regarding the success of the company Santosh Desai, former president, McCann-Erickson says, "The nature of the relationship that Cadbury's has built with the consumer is responsible for latitude the consumers are giving it. (Vaid Molshree)

## **Case Study 2**

**Toyota Motor Corporation:** **Toyota Motor Corporation** is a Japanese multinational motor company whose headquarters are in Toyota City, Aichi in Japan. It is the eleventh-largest company in the world in terms of revenue. In July 2012, the company reported it had manufactured its 200-millionth vehicle. The company was

founded by Kiichiro Toyoda in 1937 as a spinoff from his father's company Toyota Industries to manufacture automobiles. The first product, Type A engine, was created in 1934 before this company was formed. In 1936 its first passenger car, the Toyota AA was created.

Since the late 2009, Toyota has suffered a severe crisis because of the quality problems. These quality problems were not intentional on the part of the company. It was due to the technical problem. These problems left the largest vehicle manufacturing company in crisis all over the world. The crisis challenged the long standing reputation of producing quality cars which are imported to almost all parts of the world. It also landed the company's image in risk.

**Products of Toyota:** Toyota is an automobile industry producing motor vehicles. Toyota cars are famous and the brand is known all over the world for its quality.

**Problems Faced by Toyota:** Toyota's was the leading vehicle manufacturer in the world. The situation changed suddenly at the end of 2009. This was because of the failure of its brand car Lexus ES 350 model dues to some technical issues. The car crashed on August 28th, 2009, which killed four passengers of a family inside the car in United States (Los Angeles Times, Oct 25 2009). This incident landed the famous company in crisis. The crisis affected over 16 million vehicles taking the lives of 34 drivers (Fukue, 2010; Rehtin & Greimel, 2011).

The National Highway Traffic Safety Administration (NHTSA) in North America carried out investigations into the incident and to find out the real cause of the fatal accident. Toyota American Sales organization (TMS) spelled out reason for the accident as the incompatible floor mat that interfered with the accelerator pedal and they issued a public safety advisory on Sep 29th 2009 informing the owners of specific Toyota and Lexus models of the ill-fitting floor mat problem. This was followed by the first large-scale recall announcement in November 2009 for remedy of this problem (Toyota USA Newsroom). The National Highway Traffic Safety Administration (NHTSA) was not satisfied with this explanation of Toyota. NHTSA found out that the real reason was that the real problem was in the design of the accelerator and floor-



pan. This forced the company to announce its second recall of 1.8 million vehicles in European markets in January 2010. Eventually the Toyota suspended the production of the brand car and also stopped the sales of the other models too in the U.S. markets. Toyota hit the headlines of many newspapers, TVs and other mass media. The company's long standing reputation and image was questioned and remained at stake.

### **Crisis Management in Toyota**

With reference to Toyota crisis management CEO of the company has said it, as follows

"We deeply regret the inconvenience and concern caused to our customers and others by our recent recalls of multiple vehicle models across multiple regions." – Aki Toyoda, the CEO of Toyota Motor Corporation. The statement that was made continuously was the one made by Jim Lentz, President and Chief Operating Officer, on February 1, 2010, "Nothing is more important to us than the safety and reliability of the vehicles our customers drive." He also tried to restore customer's trust when he stated:

We are focused on making this recall as simple and trouble-free as possible, and will work day and night with our dealers to fix recalled vehicles quickly. We want to demonstrate that our commitment to safety is as high as ever and that our commitment to our customers is unwavering.

The crisis management of the department includes the following measures:

- ▲ Toyota has made good use of social media avenues to engage customers using a frank, reassuring voice. Jim Lentz, president of U.S. sales, answered questions directly through Twitter. ("We believe if we do this right, customers will come back," he Twittered.)
- ▲ A massive campaign was done utilizing full page ads in newspapers, a dedicated web site, television ads and executive interviews have been consistent in messaging and tone. These tools have been well used to promote the company's actions to address the problem.

- ▲ The company's U.S. blog, *Our Point of View*, offers a first-person discussion of the issues at hand. It also publishes questions from the press along with Toyota's responses.
- ▲ But while Toyota has been swift to move on this particular series of incidents, perhaps it would have already passed through this storm if it had paid greater attention to the complaints made prior to 2009.
- ▲ The company wrote to the customers apologising for the recall. It incurred huge losses due to the recall of the cars in two phases. It did not mind the losses as image of the company; reputation and quality are paramount to the success of any company.

### **Results of the Crisis Management and Measures Taken**

The company was able to handle the crisis and come back to the market with an extra focus on quality and consumer satisfaction. The recall of the cars proved the fact that Toyota owns responsibility for the products which it makes. It also threw light on the fact that quality is one aspect that the company never compromises.

**Findings of the Study:** The companies were able to effectively manage crisis and come out successfully learning lessons from the mistakes. This also helped them to revisit their quality check process and bring in credibility among the stakeholders. The following are some of the findings of the study:

### **I. Cadbury**

1. The company launched "Project Vishwas (Trust)" and communicated with its stakeholders.
2. "Facts about Cadbury" a press advertisement was released in 55 publications and 11 languages to reach the business partners and the consumers.
3. A new packing called "Purity Sealed Packaging" was started in January 2004 to ensure protection to the product through double wrapping.

4. "Purity Sealed Packaging" with double wrapping was campaigned through the new brand ambassador, Amitab Bachchan to reiterate the credibility of the company and its products.
5. The testimonial advertisement with the star called "Sincerity" was designed where he explained how he visited the company himself and confirmed about the quality of the production.
6. The company was able to achieve success in dealing with the crisis through rigorous advertisements and campaigns through media, increase in the sales of the product significantly post-crisis period and building goodwill and image to the company.

## **II. Toyota**

1. The company's use of social networking media kept the customers informed.
2. The PR's continuous contact with the customers clarifying their doubts and taking complaints worked out really well.
3. The company was daring enough to recall the cars in two phases.
4. Recall of the cars proved to be a good idea, though the company incurred heavy losses.
5. Recall sent messages to the customers about the responsibility that the company takes on its products.
6. The crisis helped the company realise that quality alone can be the strength of the company and the marketing of its products

## **Conclusion**

Business organizations or companies dealing with business or trade need to have effective crisis management departments which should be able to foresee the problems, design effective measures with various options to deal with the crisis, invent innovative

techniques to assess the problems and find out the remedies. Research into the field and constant supervision and monitoring have to be done to avoid or minimize the chances of crisis.

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