

MADHURIMA BAKSHI'S VIEWS ON CRISIS MANAGEMENT

All of us have faced a crisis in some form or another. Almost all crisis contains in itself the seeds of success as well as the roots of failure. Finding, cultivating and harvesting that potential success is the essence of crisis management.

Types of crisis... Organisations normally do not have the luxury of knowing what constitutes a crisis. Very often a crisis just happens! The sheer size and visibility of McDonald's makes it a target for various groups. In the food industry, some of the crisis issues that have been encountered include:

- BSE – mad cow disease
- Avian influenza – bird flu
- SAARS
- Acrylamide - chemical and a suspected human carcinogen thought to be formed when foods that contain carbohydrate, such as potatoes are fried or baked at high temperatures (above 120°C).
- Nutrition & obesity
- Pesticides in carbonated drinks
- Beef flavouring in French fries

McDonald's greatest asset... The customer is McDonald's greatest trust bank. Anything that leads the customer to lose faith in McDonald's constitutes a crisis for the organisation.

Incorrect media reporting can constitute a crisis... The super size French fries and Coke issue is a good example of how incorrect reporting can lead to a crisis. In March this year, McDonald's in the US decided to discontinue serving super size French fries and Coke. When the news broke out, the Indian electronic media and wire services started reporting that McDonald's India too would stop serving these particular products due to health and nutrition concerns. This triggered a series of calls from the media seeking comments from the management. The media failed in doing their homework. If they had, they would have realised that both these items were never on sale in India and hence there was no question of taking items off the menu that were not being sold to the Indian customer in the first place!

Testing and rehearsing regularly... The business that McDonald's is in is very akin to a fire fighting department. Just like fire fighters have regular mock drills, the organisation too has regular mock drills so that the staff knows how to react in a moment of actual crisis. Theoretical classes are held every quarter at McDonald's, which are mandatory to all restaurant management. Apart from this, there are a certain number of classes held for Head Office staff. Mock drills are carried out in the restaurant to train staff on various crisis situations such as 'unhappy customer', 'foreign object in the food served', 'bomb threat', etc. The aim behind these mock drills is to make staff realise that a crisis situation can occur at any time, take the panic out of a situation and prepare them to deal with it in the most effective manner.

Managing issues... There can be several issues that need to be confronted in every day operation. It is therefore important to manage these issues

competently in order to prevent them taking a serious turn and losing control.

What top management needs to do...

Top management needs to be fully trained, aware and involved. Being on the crisis communication team and not knowing what to do at the time of an actual crisis makes them mere figureheads and of little use to the organisation. The human resources department must know how to deal with situations, be it a customer or employee issue, or an accident. The crisis centre should review and update the manual, resources and equipment. If the organisation has a training centre, it is important that the training manager or the person heading the department ensures that crisis manuals are constantly updated. There may be incidents that happen internationally, which may be of relevance to India. For example, bird flu, which although it did not directly impact India was nevertheless important as it was an indicator of what could happen. Thus the organisation had to be prepared for a situation if it did take place.

A sneeze in the US...causes a tidal wave in India...

International incidents are known to impact across borders. One of the worst crisis encountered by McDonald's in India in the seven and a half years of operation was an issue that was not even directly linked to India. A class action suit for US\$ 30 million was filed against McDonald's by an Indian American lawyer acting on behalf of millions of Hindus and 15 million other vegetarians residing in the US, alleging that McDonald's was serving beef-flavoured French fries in the US. The repercussions of this had huge ramifications for the Indian operations.

Impact of beef-flavoured French fries on India...

The Shiv Sena reacted by rubbing cow dung on one of the McDonald mascots. A McDonald's restaurant was vandalised, another restaurant on the highway was shut down for three days because it was located in an extremely sensitive area.

Build up to the crisis...

In the US, there was a time when the cooking medium was lard. Over a period of time, people became health conscious and moved away from lard to vegetable oil. The products remained the same, only the cooking medium had changed. While checking product sales, McDonald's found that the sales of certain products had fallen – in this case – *French fries*. Research conducted subsequently showed that the flavouring that was imparted by lard to the French fries to make it more appetising was missing when vegetable oil was used.

The options...

To counteract this missing taste, McDonald's added an extract of beef flavouring into the fries at the processing stage itself. The organisation according to US law had not done anything unlawful. US law clearly states that an organisation does not have to list the ingredient used in flavouring its products to the food industry. Hence it was a non-issue for most people in the US, but certainly not so for Hindus or vegetarians in the US, or in India where the Hindu population was outraged.

It is important to table the correct facts immediately because if the incorrect information continues to remain in the public domain the public at large will end up basing its opinions and judgements on rumours and speculation. But was any one interested in knowing if McDonald's was selling fries that were flavoured with beef extract in

India? No.

Beef flavoured French fries in India?

McDonald's was categorical in its denial of selling fries that were flavoured with beef extract in India and saying that fries flavoured with beef extract were being sold for public consumption only in US and Canada. No other country used the added flavouring. However, the public in India was not prepared to believe it. For three days, McDonald's had to shut down its restaurant in Mathura and police protection was provided to every McDonald's restaurant including Head Office. It was a volatile situation, which was further egged on by any activist who was singing the Hindutva tune.

News...news... and more news...

- *Security beefed up at McDonald's outlets as BJP demands closure*
- *McDonald's apologises in French fries dispute as they should have considered the worldwide implications of using beef extract, even though McDonald's had not done anything illegal as per US law*
- *McDonald's shows testimonials to support its claims*

What McDonald's did...

Ignoring a problem will not make it go away – it will only get worse. Therefore McDonald's confronted the problem head on and organised a press conference where the media, its French fry suppliers - some of them big international companies, and all audiences interested in the issue were invited. The organisation sensitised the audience to the actual facts behind the issue. All those interested in taking a McDonald's kitchen tour were asked to see for themselves how the company operated. No use of beef-flavoured extract in French fries, no mixing of vegetarian and non-vegetarian equipment, separate handling of vegetarian & non-vegetarian food, egg less mayonnaise, etc.

McDonald's shows testimonials to support its claims...

As a voluntary gesture, McDonald's took its products to Government laboratories - the Sri Ram Institute for Industrial Research, the Brihan Mumbai Municipal Corporation, which tested the products for animal fat – the results were negative – there was no trace of animal fat in any of the products. The cooking medium used is vegetable oil and the results of the tests conducted restored customer confidence in McDonald's and its products. The findings were displayed in all McDonald's restaurants – on tray liners, coasters, leaflets and advertisements in the newspapers – informing the public about the products and the results of the testings.

Culturally sensitive organisation...

McDonald's is a culture sensitive company and understanding Indian religious and cultural sensitivities has always been top on the agenda. Keeping this in mind, McDonald's restaurants in India became the first to sell non-beef burgers in the world. The organisation also has different equipment to prepare vegetarian and non-vegetarian food items apart from using egg less mayonnaise. Anybody can walk into a McDonald's restaurant at any time and ask for a 'Kitchen Tour'. All they need to do is to ask the restaurant manager for a look behind the scenes.

Steps to handle a crisis...

McDonald's practices seven steps to handle a crisis:

- Remain calm, find out the facts and activate Crisis Team
- Establish initial contact and do not base reactions on hearsay
- Assessment & planning

- Act to minimise danger
- Offer assistance to victims and their families
- Call in experts where necessary
- Prepare holding statements

Of utmost importance in any crisis situation is monitoring progress and assessing the media coverage. The communications agency working with the organisation should assist in assessing the media coverage as well as the impact that the crisis has had on the staff, customers and stakeholders. The next step is to evaluate if the action taken has been effective and then consider if further communication is required.

Summary...

It is necessary to implement steps that will prevent and hence avoid a crisis. However, this isn't always in your hands. Once you are in a crisis situation, accept and manage it. The beef crisis blew up in McDonald's face overnight without warning, and the settlement the US company gave to vegetarian societies in the US as a goodwill gesture amounted to US\$ 10 million. The media once again misconstrued this as an acceptance of guilt!

The long-term vision of an organisation should be clear and focussed. McDonald's has been operating all over the world for almost 60 years and is here in India to stay. Thus we must avoid actions that will negatively impact the business in the operating environment and most important of all - ***Tell the truth and tell it fast.***

QUESTIONS AND ANSWERS

Why did McDonald's bounce back after the beef tallow issue and not KFC?

In the case of the French fries in the US, McDonalds was completely honest with the facts and according to US law was not guilty as charged. The mistake they made was not taking into consideration the number of Hindus living in the US who used their products. However, there was a certain customer base that they had outraged and as a goodwill gesture McDonald's gave US\$ 10 million to vegetarian societies in the US.

The repercussions of this crisis on India were enormous since the local media as well as the consumer did not have sufficient information relating to the French fries issue. McDonald's had to react immediately – we did not hide anything - we put forward all the evidence we had. It was imperative because we realised that we had to be absolutely honest and deliver all the facts to the public and inform them on what the issue was all about.

(Excerpted from the presentation made by Director Communications & PR, McDonald's North India, at PR Pundit's workshop, held in Delhi on March 23, 2004)