Using Image restoration and Situational Crisis Communication Theories for effective crisis communication

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Abstract- This research is an analytical review of the Crisis management strategies and plans implemented by the Fonterra Sri Lanka during its 2013 crisis of the contamination of toxic chemicals in its dairy products. It suggests that ample comprehension of joint operations and usage of diverse media capabilities to provide swiftly accurate communications help organizations in crisis to restore the consumer confidence and their market values. On 2013 Fonterra Sri Lanka had remove its products from the market due to a toxic chemical contamination incident. The incident wen media viral on overnight and threatened the business in to a devastating level. However, as the crisis grew Fonterra Sri Lanka responded successfully with quick and accurate facts & adjustments. They also implemented management plans that helped the company in damage control and retrieving consumer confidence. Using the theories of Mass Communication this research paper examines the effect of cross-field crisis management communication strategies implemented by the Fonterra Sri Lanka. The research was conducted using the Interviews as its primary methodology of data gathering. It also analyzed the news articles made by the national newspapers and the press release of the organization about the incident and its stakeholders. Crisis communication strategies adopted by the Fonterra Sri Lanka are then analyzed according to the Theory of image restoration, and Situational Crisis Communication Theory. The purpose of this paper is to provide a theoretical basis for techniques and strategies that will prepare commercial organizations for damage control in future crisis.

Index Terms- Crisis Management, Consumer confidence, Image restoration, Situational Crisis communication.

I. INTRODUCTION

Fonterra Sri Lanka – a subsidiary of New Zealand multinational dairy product cooperative is, since decades, in the business of producing Sri Lanka’s most popular dairy products. In 2013, the same year the crisis in question occurred, the company was responsible for approximately 60% of the Sri Lanka’s milk-powder market values. In addition to their popular milk-powder products Fonterra Sri Lanka also distributes a range of other dairy foods; including yoghurts and butter – all are produced on imported milk.

According to media reports, on January 24, 2013, Theo Spierings, Chief Executive Officer, Fonterra Cooperative Group (FCG), the world’s largest dairy exporter, assured its customers that traces of a fertilizer additive dicyandiamide, known as DCD, were present in some samples. The CEO, in the same statement assured such chemicals posed no health risk. After the Auckland, New Zealand-based company’s CEO’s statement China and Vietnam conducted laboratory test on the imports of the Fonterra subsidiaries. Both countries eventually went to suspend dairy imports from New Zealand (“Fonterra Withdraws Milk Powder From Sri Lanka”)

Scientific background of the DCD contamination in New Zealand dairy products

Dairy business in entirely dependent on milk taken from milk cow as the raw material. A key element required in the biological process of producing cow milk in Nitrogen. Amino Acid is produced by the Nitrogen and those amino acid helps to combine the molecules that generate Protein.

New Zealand’s milk production is mainly pasture-based. Unlike some other dairy producing countries using hormones to induce milk in cows is banned in New Zealand. Therefore, the only way to increase yield is increasing the amount of nitrogen in the diet of cow milks. Reportedly, some New Zealand graziers has added an extraordinary amount of nitrogen as chemical fertilizer in order to maximize the protein content of the milk. Other than this, nitrogen can be added to the soil; hence to the diet of milk cows through the cow’s urine.

Excess of the Nitrogen that doesn’t absorbed by the grass moves downward quickly with drained water. Also, when the nitrogenous compounds breakdown in soil it releases nitrogen as the Nitrous Oxide gas. This made adding Nitrogen to the grass through fertilizer ineffective in long term. Therefore, the farmers deliberately has used Dicyandiamide (DCD) which chemically helped to slower the emission of Nitrogen gas and the leaching of excess nitrogen.

According to a trial-based 03 yearlong research funded by Fonterra, Dairy NZ, the Fertilizers Manufacturers Research Association (FMRA) and the Ministry of Agriculture and Forestry of New Zealand DCD can prevent nitrous oxide emissions and Nitrogen leaching by 50%.

DCD is mainly used to produce melamine. And melamine is a material in sort of plastic that is used to produce plastic cups, plates, whiteboards and Formica. As a chemical it may cause cancer and damages to human reproductive system.

In this background in Sri Lanka, the problem reached a crescendo. A test was conducted on Fonterra Sri Lanka’s imports by the Ministry of Technology and Research. This test which was carried out by the Industrial Technology Institute (ITI) - Sri Lanka’s premier scientific and industrial research organization.

www.ijsrp.org
The director General of the Ministry of Health held a meeting with the Government Medical Officer’s Association (GMOA), Food and Drug Authority and the Food Advisory Committee on 05th of August and agreed to have all the batches of the milk products which tested positive for DCD removed from the market as soon as possible.

Following the orders of the Director General Sri Lanka Customs returned a stock of 16 metric tons of Milk-powders. Sri Lanka’s minister of Agriculture made a speech in the Parliament and urged the consumers to refrain from consuming imported milk powder. Later, on 16th of August an Additional District Court judge issued an enjoining order after taking up a case filed by a health sector trade union seeking the ban on all dairy products from the New Zealand dairy producer. The order, which was effective for 14 days, prevented Fonterra from whole selling all its products, distributing or selling through agents as well as any form of advertising in a misleading manner.

In this backdrop, the Fonterra Group in Sri Lanka broke silence on 08th of August. Holding a press conference in Colombo lead by Fonterra Sri Lanka’s Managing Director Leon Clement the Executive Director Alan Fitzsimo attempted to vindicate the company by challenging the accuracy of the tests conducted by the local authorities.

Managing Director Clement maintained that it will respect the Ministry of Health order and that approximately 39 metric tons or approximately 100,000 of 400g packs of the products from the two DCD positive batches will be removed from retail shelves within 48 hours.

Dr. Sarath Mahavithanage, Associate Director Regulatory and Scientific Affairs lead the arguments on behalf of the company. He continuously stated ITI were inadequate. He quoting Dr. Brynn Hibbert, Emeritus Professor of Analytical Chemistry at the University of New South Wales, Sydney who had said in his expert opinion "the preferred method involved for the detection of DCD is Tandem Mass Spectrometry and without this technique the presence of DCD cannot be determined and that the method used by the ITI was inappropriate to unequivocally show the presence of or determine the quantity of DCD."

Media reports indicate that this was the third product contamination scare in five years for the company entrusted with so much sway over Sri Lanka’s consumers. Continuous news segments and features broadcasted/published by national media suggested Fonterra had under-valued the importance of Sri Lankan consumer perception. This surely registered a huge shake of consumer confidence towards the Fonterra brands.

The incidents were damaging the company in financial aspects too. In calendar 2013, as usual, a $223 million of New Zealand’s exports of dairy, honey and animal produce exports went to Sri Lanka, according to Statistics New Zealand. However, the net profits of Fonterra Sri Lanka for the year of 2013 tumbled 76% to $179 million.

II. CRISIS COMMUNICATION

Crisis is a sudden condition of instability or danger that interferes with organizational performance. Demanding a decisive change or adjustment a Crisis can range from a major to catastrophic that negatively affects the company in many aspects including Profits and Consumer confidence.

A crisis brings or has the potential for bringing an organization into disrepute and imperils its future profitability, growth and possibly it’s survivable (Otto, p36). During a crisis the biggest threshold a company comes across is its consumers and other stakeholders who demand to know the truth. Since most crises are newsworthy events a company in crisis by default is in a wider public attention. Organizations that cannot or do not provide information during crisis forces the public to turn to other, often less credible source of information (The New York times, 2013). In the absent of information the misinformation becomes the news. Therefore, misperceptions caused by wrong information can cause a worse damage than the one that caused by the crisis itself. This makes effective communication crucially important for a company to survive a crisis.

The following research was conducted in order to figure out the impact of the crisis communication attempts made by the Fonterra Sri Lanka officials.

Crisis Communication models

Crisis communication plans and strategies provide the means to gather and release information as quickly as possible during a crisis. Many crisis communication theorists have suggested theoretical models for an effective crisis communication. The most used and effective theories by far in the fields of Crisis Communication are Image restoration and Situational Crisis Communication Theories (Bernstein, 2013).

The Image Restoration theory (IRT) was first introduced by William L. Benoit. Defining communication as a goal directed strategy IRT outlined by Thimothy Coombs suggests a 05 stage framework to mitigate damage to a company reputation (Coombs & Holladay, p237).

1. Denial

An organization accused may deny the crisis occurred or deny their involvement in committing it.

2. Evading responsibility

When an accused organization is unable to deny performing the act in question, it may attempt to evade the responsibility by using one of these methods.

a. Scapegoating – The accused organization can claim the act in question was committed in response to another wrongful act.

b. Defeasibility – The accused pleads a lack of knowledge or control about the act in question.

c. Claiming the act was an accident

d. Claiming the act in question was justified based on good rather than evil motives or intentions.

3. Reducing effectiveness

A company can reduce the offensiveness of the public by reminding the company’s positive qualities (Bolstering), claiming the damage of the crisis is minimal, compare the act to similar act (Differentiation), place act in a different context (Transcendence), challenge those who claim there is a crisis or by acts of compensations.
4. Corrective action
A company can follow corrective actions; acts to restore pre-crisis status or act promises change and prevent of repeat of the crisis.

5. Mortification
Mortification for a company in a crisis is achieved by admitting the responsibility for the crisis, expressing regret and asking for the forgiveness.

Also outlined by Thimothy Coombs the Situational Crisis Communication Theory (SCCT) suggest that communication managers should match their strategic crisis communications attempts to the level of crisis responsibility and threat to reputation caused by the crisis. In his journal article titled ‘Protecting Organization reputations during a crisis’ Coombs identified 03 types of crisis which he named as crisis clusters.

1. Victim cluster – In this cluster the company itself is also a victim of the crisis. Natural disasters, Rumor, Workplace violence and Product tampering/Malevolence are the sub categories of crisis of victim cluster. Organizations’ attribution to the crisis of this cluster is weak and so the threat to reputation is low.

2. Accidental cluster – In this cluster the acts of the company that led to the crisis was unintentional. Challenges such as stakeholders’ claims about misappropriate operations of the organization, Technical-error accidents, and technical-error product harms are the potential crisis of this cluster. Organizations’ attribution to the crisis of this cluster is weak and so the threat to reputation is low.

3. Preventable cluster – In this cluster a company knowingly placed people at risk, took inappropriate actions or violated laws/regulations. Human-error accidents, Human-error product harm, Organizational misdeed with no injuries, Organizational misdeed management misconduct, and Organizational misdeed with injuries are the possible crisis in the cluster. An organization in crisis of this cluster poses a strong attribution to the responsibility together with severe threat to its reputation.

(Coombs, 2007)

Should the communication managers recognize the crisis responsibility and reputational threats the SCCT then provides a theoretical base to their crisis communication strategy. Coombs outlined this theoretical base with 03 strategies.

1. Primary crisis response strategies
a. Deny crisis response strategies
   - Attack the accuser – Communication managers can confront the entity claiming there is a crisis within the organization.
   - Denial – Asserting there is no crisis.

   b. Diminish crisis response strategies
   - Excuse – Minimize organizational responsibility by denying intent to do harm or claiming inability to control the events that caused the crisis.
   - Justification – Minimize the perceived damage of the crisis.
   - Rebuild crisis response strategies
   - Compensate the victims of the crisis.
   - Indicates the organization takes the full responsibility for the crisis and asking stakeholders for forgiveness.

   2. Secondary crisis response strategies
   a. Bolstering crisis response strategies
   - Reminder – Inform the stakeholders of the past good works of the organization.
   - Ingratiation – Praises stakeholders for past good works.
   - Victimimage – Communications reminds the stakeholders that the organization itself is a victim of the crisis too.

Frameworks of Image Restoration theory and the Situational Crisis Communication Theory outline a neat communication structure that can be highly effective in crisis with any level of damage and organizational responsibility.

III. LITERATURE REVIEW

Being the first to design the Image Restoration theory William L. Benoit himself conducted many pioneering case studies on the theory. One of the prominent of those case studies was the one conducted on 1991 AT&T communication service crisis. AT&T, the American multi-national communication giant faced a crisis on 1991 January 15th when there world-wide long distance communication network breakdown occurred because of a bug in their software system (Coy & Lewyn, 1990). Benoit & Brinson (1994) reviewed the strategies and practices of the AT&T crisis communication team (Benoit & Brinson, 1994). They found mortification, corrective action and bolstering were the first strategies followed by the crisis communication team. Authors also criticized the misguided attempts by the top management to blame lower level workers.

Following the tragic death of Princess Diana, the princess of Wales, triggered a royal crisis of unprecedented consequences for the Crown and the royal family (Rotaru, 2010). The sudden death of Princess Diana in August 1997 caused a deep sense of loss in many of the British sovereign. As the Queen Elisabeth and the Royal family was unable to make a quick response or even an appearance regarding the tragic accident the public began to fiercely criticize the royal family for their aloof attitude. The unprecedented Royal speech made by the Queen Elisabeth – which she made following the public outrage was strong enough to settle the crisis in favor of the Royal family. Benoit & Brinson (1999) recognized the Queens Communication attempt was composed of Image restoration strategies such as Denial, Transcendence, and Defeasibility.
IV. METHODOLOGY

The Case study approach of a research involves with systematically gathering information about the development of a situation for a period of time. According to John Creswell (2009), the author of ‘Research Design; Qualitative and Quantitative and Mixed Methods Approaches’ a case study is an analytical framework with a data collection that occurs over a sustained period of time. Therefore, any case study is an analytical approach that use one or more number of data collection methods.

Research Questions

This research is conducted as a case study that can be categorized both as an instrumental case study and a descriptive case study.

Instrumental cases study method is developed to promote an understanding of specific issue (Gordin, page 72), therefore this research will provide an insight over the Fonterra Sri Lanka crisis scenario and will attempt to identify the effectiveness of the communication strategies used by the Fonterra Sri Lanka during the crisis period.

On the other way, this research will work as a descriptive case study as well. Yin (1981) notes that a descriptive case study strives to document the procedures of a particular event or events. The research will use Image restoration and Situational Crisis Communicational Theories as the framework of the entire research and will attempt to describe the crisis scenario according to those 02 theories.

Data

As explained in the introductory chapter, the Fonterra Sri Lanka crisis in 2013 received a larger amount of media attention. This research used Interviews as its primary source of data. It also used a secondary source by analyzing the news articles made by the national newspapers and the press release of the organization about the incident and its stakeholders.

The interviews conducted with the team of the Fonterra Sri Lanka that lead the crisis communication helped to gain first hand, accurate information about the strategies used by the company.

In order to further identify the behavior of the Fonterra Sri Lanka Company, local authorities and to specifically recognize the opinions of local customers the content analysis method was used. According to Hsieh and Shanon (2005) content analysis is “a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes and patterns”.

During the content analysis for this research, relevant news articles, published both in Sinhalese and English language, were retrieved from the Sri Lanka’s Department of National Archives for qualitative analysis. Articles were collected from 04 Sinhala language newspapers and 03 English language newspapers. Collection of articles were conducted starting from January 24th, the date of the first leading news report to 1st November 2013, about a week after the last incident was reported. To be determined as relevant to the study each article had to have focused on at least one of following areas.

- Presenting details/updates on the local issue of toxic chemical contamination in New Zealand milk imports.
- Reviewing or presenting the responses from the Fonterra Sri Lanka.
- Reviewing or presenting the responses from local health and other authorities.
- Reviewing or presenting the responses from customers.

Moreover, Fonterra Sri Lanka’s attempt to restore their image and re-establish the consumer confidence was analyzed by qualitative content analysis method. In this phase of the research, advertising and other marketing campaigns launched by the company were analyzed. In doing so, the TV commercials and other campaign programs conducted by the Company were closely analyzed.

RESULTS OF THE ANALYSIS

Through the research, 52 newspaper reports contained details about the Fonterra Sri Lanka crisis and the responses by the company were subjected to the content analysis. Results of the content analysis and the interviews conducted with the crisis communication team of the Fonterra Sri Lanka helped to identify the following patterns regarding the responses of the Fonterra Sri Lanka.

1. Immediate responses

Fonterra removed all stocks of its milk powder productions from the market. Removed products included 02 of the most popular milk powder brands of Sri Lanka.

2. Short-term responses

Fonterra held continued press briefings to express themselves, they also published newspaper notices, medical reports and distributed leaflets.

3. Long-term responses

After the re-launch Fonterra initiated mass-scale awareness programs about the safety of their products. They also held financial sponsorships for many national events and used those events to rebuild their image. All Fonterra products bared a special sticker that implied the safety and the quality of the product.

Usage of the stickers to imply the safety of the products.

Fonterra managed to reenter their brands to local market within 1 month from the stock removal. The new batch of dairy milk products were available in the market from 13th August, 2013. All these products had a special sticker. The sticker said the particular product of Fonterra is proven to be free from DCD or any other toxic material. This was a neat attempt by the Fonterra to regain the consumer trust.

Press briefings

Fonterra held 02 press briefings; on 2013 August 03, and August 23 at the capital city of Sri Lanka. Managing Director of Fonterra Sri Lanka brands Mr. Leon Clement were assisted in the 1st press brief by the Fonterra’s Manager of Public Relations - Dr. Sanath Mahavitharana and many other top officials. They gave facts and rationales to explain the situation. Laboratory reports ensuring the quality of the Fonterra products were explained, they also made an acceptable explanation on the DCD contamination and what DCD really is.

The 2nd Press brief was conducted by the Fonterra Sri Lanka’s managing director assisted by the Sri Lanka’s Director...
General of Health Services and his top officials. Supported by many laboratory test reports this press brief explained quality of the Fonterra production process, special measures taken to ensure the safety of the products to be issued to the market, and the future strategies of the company.

These press briefings did a very effective role in damage controlling.

Press Releases
On 04th of September, 2013 the company published a full paper advertisement on Lankadeepa newspaper – the most popular Sinhala language national newspaper of the year (People’s Awards, 2013). The company explained their dairy products are no longer vulnerable to DCD contamination issue. They also explained the added methods that was taken to ensure the quality of their products. Advertisement further explained the special sticker that was applied on every dairy product of the Fonterra Sri Lanka Company. Issued by the Ministry of Health the sticker assured the product is free of DCD and other toxic chemicals. The company also introduced, in the same paper advertisement, a special hotline named ‘Ask from Ancheor” in which the customers can contact the experts from the company to get more details on the quality of its production and distribution process.

Mass-scale awareness programs
Soon after the newspaper advertisement mentioned above, Fonterra Sri Lanka launched an island wide mass-scale awareness programs. A program to approach consumers directly would have been costly, and time consuming; hence ineffective. Therefore, the company went to disseminate information of the quality of their products to recognized groceries, food chains and super markets. Then these commercial entities naturally acted as intermediaries, and distributed the information about the quality of the Fonterra dairy products to their customers.

Throughout a time of 1 year Fonterra held financial sponsorship to 06 events with national importance. They renovated their production process by replacing their old production equipment and machines with state-of-the art new machines and equipment. Once the Ministry of Health lifted their ban on advertising Fonterra brands the Company reinitiated their advertising promotional campaigns. However, these promotional advertisements were deliberately focused on consultative content rather than on creative contents.

V. CONCLUSIONS AND RECOMMENDATIONS
A closer look at the crisis responses of the Fonterra Sri Lanka reviled that press briefings and mass-scale awareness programs were their main strategy to diminish the damage of the crisis and regain public confidence. Press briefings were highly effective as a crisis management strategy since the crisis went media viral since the very first day. As explained earlier, the strategy used in the awareness programs were highly successful as they were effective in cost, and the time consumed.

Press briefings were the most frequently used source in newspaper articles. Both the press briefings held by the Company were cited in 27 newspaper articles. Managing Director of the Fonterra Sri Lanka were quoted in 04 times. Opinions from Fonterra’s Manager of Public Relations - Dr. Sanath Mahavitharana were cited 13 times. A significant change of the media’s opinion was observed after these 02 press briefings. The media moved from their initial aggressive stand that damaged the company to be a communication channel that helped the company to be a communication channel that helped the company to speak to the public. This shift of the newspaper articles can be summarized as following.

<table>
<thead>
<tr>
<th>Media opinion</th>
<th>At the Start of the crisis</th>
<th>After the 1st press brief</th>
<th>After the 2nd press brief</th>
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<tbody>
<tr>
<td>Negative</td>
<td>81%</td>
<td>43%</td>
<td>21%</td>
</tr>
<tr>
<td>Positive</td>
<td>-</td>
<td>36%</td>
<td>47%</td>
</tr>
<tr>
<td>Neutral</td>
<td>19%</td>
<td>21%</td>
<td>43%</td>
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</tbody>
</table>

When a Commercial organization is in a crisis it cannot expect media to report positively about it. However it could influence the media to repot in a neutral opinion. If the company can successfully influence the media to do so it will be helpful for the company to reduce the bad reputation that could arise from the crisis.

Strategies implemented by the Company to manage the crisis can be outlined by using the Image Restoration Theory (IRT).

Fonterra Sri Lanka’s objective behind holding comprehensive press briefings was a strategy of reducing the effectiveness of the damage; hence it helped to regain the favor of the media – the most powerful entity who could worsen the effectiveness of the crisis damage in particularly, and of the consumers generally. The company also went to take Corrective action, another important strategy of IRT by renovating their production mechanisms and taking appropriate measures to assure the safety of their products.

Fonterra Sri Lanka’s crisis management team succeeded in tallying communications attempts to the level of crisis responsibility and the threat caused by the crisis to the company. According to the Situational Crisis Communication Theory (SCCT) the crisis faced by Fonterra Sri Lanka can be listed in Preventable cluster as it was caused by Human errors. An organization in crisis of this cluster poses a strong attribution to the responsibility together with severe threat to its reputation.

Fonterra Sri Lanka’s crisis response strategies in SCCT interpretation were more of a combination of Deny crisis response strategy and a Rebuild crisis response strategy. The company went on minimizing organizational responsibility by
blaming outside entity for the crisis. It repeatedly questioned the accuracy of the reports published by Sri Lankan local authorities/laboratories. However, it immediately went on Rebuild crisis response strategy as they removed their products from the market and launched them again later with an added attention to the products’ quality and safety.

Both IRT and SCCT argues the effectiveness of communication strategies in a crisis is dependent on the characteristics of the situation of crisis. Identifying the type of a crisis will help to determine the scope of it. Therefore, a company which faces a crisis should analysis the situation of the crisis in terms of

1. Company’s responsibility to the crisis
2. Damaged caused by the crisis to the company.

Fonterra Sri Lanka had recognized the situation of the crisis they faced as a crisis in Preventable Cluster. Speaking in terms of the Image Restoration theory Strategies of Reducing the Effectiveness of the crisis and Corrective actions are essential to diminish the damage and rebuild the company’s reputation.

The use of these strategies during the crisis Fonterra Sri Lanka managed to help both the sellers and public to overcome fear of using selling/using Fonterra’s dairy products. Fonterra relied on accurate, timely and useful information throughout their crisis response. This highlights the importance of the valid and conventional data in successful mitigation of a damage caused by a crisis.

REFERENCES
