Annex B

TWO EXAMPLES OF CRISES FROM THE YEARS 1980-2000[1]

Case No. 1: The Sandoz fire and pollution of the Rhine, November 1986

During the night of November 1, 1986, a fire broke out in one of the Sandoz warehouses in Schweitzerhalle, not far from Basel, Switzerland. The warehouse contained 1351 tonnes of chemicals, intended mainly for agricultural use. Firefighters brought the blaze under control in the early hours of the morning. The warning issued to local people, to stay indoors and close the windows, was lifted around 7 a.m.. The incident was over and the "emergency" had been dealt with.

But a few days later, a crisis erupted: the Rhine had been polluted. At least some of the water used to put out the fire had drained back into the river. Laden with toxic chemicals, it struck at the very artery of Europe, tainting this "symbol of symbols" all the way to its mouth. "The death of the Rhine" made headlines in the European and international press. This was no longer an emergency, but a real crisis.

This was not a sudden plunge into crisis - and therein, perhaps, lay the trap. There was certainly a tremendous fire, but on November 1, 1986 everyone was congratulating the firefighters for the excellent job they had done. There were no victims. A press conference on November 4 evoked no awkward questions. Everyone was relieved.

While the incident seemed to have passed, the crisis took over the field by stealth. It revealed itself only four days later, after the emergency efforts had been called off. Yet it soon engulfed the entire theatre of operations. It was a further shock to the city of Basel, which had been aroused in the middle of the night and had put up with sirens (silent since the last war), a terrible odour that blanketed part of the city, and orders and counterorders to close schools, etc. It created a lingering fear that manifested itself in many ways: a cloud fell over the intimate relationship between the people and “their” chemical industry.

Within Sandoz, they were blinded by their initial success. The incident was over and it was now just a question of settling damages. Pollution? - "Come on, we're talking about eels!" So no one took the situation firmly in hand. When the field is abandoned in this way, through inaction or partial action, everything feeds the crisis. This was the case with the lists of chemicals that might have found their way into the Rhine with the water from the fire hoses, which the company made public. But those lists were not complete, and the company was soon accused of deliberately trying to conceal the most dangerous products.

When it seemed that everything was over, the world press arrived. The wildest rumours began to flourish, in ground that was particularly well prepared. The headlines read like a Wagnerian opera title: "Death of the Rhine". The government mobilized on a scale never before seen: the cantonal parliament was convened, the Grand Council of Basel held a minute of silence, the two federal houses of parliament met (which was unprecedented for this type of problem). The crisis was about to gain the upper hand. And as we know from experience the louder the questioning becomes the quicker the frames of reference disappear. Would the company be able to extricate itself from this surreal and indeed suicidal void?

Fortunately, the alarm was sounded, as is often the case, by someone who knew the system well but was something of an outsider. Edgar Fasel had just arrived at Sandoz, with the job of creating a new external relations department that was to become operational in early 1987. In the course of his previous career, with another industrial concern and with the Swiss government, he had already had to deal with serious crises.

> *Edgar Fasel: "On Friday the 14th, I realized that communication had broken down completely. I was very frank with the CEO, Mr. Moret: "what we're doing is completely stupid; everyone is running after everyone else; we're all at the end of our rope; we're aggressive, bad losers, bad players". He told me, "Yes, you're right, something's got to be done." He called a management meeting for Sunday afternoon. For my part, I brought together a team of some 20 people to inject some new blood into the affair. On the 21st, we called together the international press. The essential thing, as I saw it, was not the third list that we were going to give them, but the fact that the president would be there to run the meeting. In fact, it went very well - Mr. Moret was superb. For our part, we stressed that we have always told people that we knew. They could accuse us of not knowing everything all the time, but they couldn't call us liars.*

The personnel and equipment infrastructure for handling information and external relations at Basel was very weak at the time of the fire. We set up a telephone hotline to respond to the press, with a team of eight, then twelve men and women. The rules were: don't leave any question unanswered, don't keep bothering the specialists, who have to get their work done, bring them out only for the press conferences, don't put every technical question to them (they are not communicators and that isn't what they were trained for). This phone service, which operated 24 hours a day, received some 200 calls a day for 30 days and coped with 130 requests for individual interviews, as well as the presence of 17 TV crews. The Japanese were interested in the problem, and of course the Americans never fail to show up.

But our lovely organization came too late. The problems kept multiplying: around November 20, a Zurich ecological institute announced that theoretically, "dioxin could have been released by the flames." That information spread like wildfire. When the experts finally produced their analysis - negative findings - the media had lost interest in the subject. That episode really killed us.

In short, no matter how properly and skilfully we conducted ourselves, the image remained fixed. The information professionals had decided we were liars, that we understood nothing, that we were grasping at straws, that we were not on top of anything. Local people vented their feelings - they were fed up with technology: Chernobyl, the Challenger, local debates over nuclear power, and now all this from the city's chemical industry. There was no real way to fix the situation.

All we could do was hunker down and wait until people were ready to listen to us and to believe us again. We made use of that time to refine our organization and prepare our messages.

Basically, in terms of information, we were setting out to make up for lost time - because Sandoz had got through its first century successfully, of course, but without any true communication culture."[2]

This reorientation prevented Sandoz from going under, clinging desperately to outmoded attitudes. It turned things around and emerged stronger from a situation that, however, stood in sharp contrast with Bhopal: the pollution of the Rhine was not as bad as had been feared, and there was no disaster. Above all, the company was able to take bold initiatives in the wake of the episode. First, in terms of prevention, it invested heavily in safety: crisis management is by no means a question of communication alone. Sandoz also

set up an independent scientific institute to monitor water quality in the Rhine. It established a fund of 40 million French francs (some USD 6 million) to support research for ecological cleanup of the Rhine, it called for tenders, and it sponsored 34 teams - the projects were selected by an independent committee of experts. From an isolated incident there emerged a global plan that the people involved took very seriously: this is the kind of transparent initiative that best promotes healing.

Also noteworthy was the analytical work and investigation that Edgar Fasel, in particular, undertook in an effort to share the lessons from this ordeal. We should take seriously his key point: "If a leader tackles a crisis as if he were the keeper of a fortress, he is lost." And we should heed his lucid argument and his full encouragement for drawing tough lessons: "There are very few accidents (significant progress has been made in the safety field) but when they occur, they are very serious. We have to knuckle down, knowing that the ground is constantly shifting. The conclusions we draw today would have seemed completely outrageous and unacceptable just five years ago: people would have said we were alarmists! The experience of recent years has not entirely swept away old-fashioned ideas, but at least it has shown that some conventional ideas are no longer entirely satisfactory."[3]

Case No.2. Johnson & Johnson and criminal tampering with Tylenol, autumn 1982

This is a textbook case: the rare capacity to decipher instantly a signal of very low intensity; the ability to sound the alarm and mobilize quickly; taking charge resolutely at all levels - operational, strategic, ethical - when there is a large-scale threat[4].

On September 30, 1982, the director of public relations for the Johnson & Johnson group was informed by a member of his department of a strange phone call from a *Chicago Tribune* journalist. The journalist had asked basic questions about Tylenol (a very popular painkiller, with sales of USD 400 million a year), about Johnson & Johnson, and about its relationship with its subsidiary, McNeil Consumer Products Company (which distributed the product). The conversation left the employee with an uneasy feeling. The director called the reporter back and asked what was going on. He was told the reporter was investigating a Chicago doctor's suspicion that there was a link between Tylenol and a recent death.

The public relations director called his boss, the corporate vice-president for public relations, who in turn immediately called his superior, the president of J&J. The vice-president's first thought was that there had been some kind of

problem at a plant, and he hoped it was all a mistake. The president called his executives together. But all this handful of executives knew was that a rumour circulating in Chicago was linking a J&J product with death. *Death . . . when health was what Johnson & Johnson was all about!*

The president lost no time: he told the vice-president of the executive committee and the public relations director that a helicopter was standing by to fly them immediately to McNeil headquarters in Pennsylvania, not far from J&J headquarters in New Jersey.

The president wasted no words, and told his vice-president, “Take charge.” Ninety minutes later the two men were in action.

The selection of the crisis manager was not a random choice: the vice-president knew Chicago, and was a former boss of McNeil. He immediately introduced the communication dimension into the team. They followed the basic requirement: gather the best possible information about the event. A crisis unit was set up, with seven people, and a clearly defined mission focused on two key questions: "How do we protect consumers?” and “How do we save the product?” The president stayed at the helm.

A remarkable reflex phase, extended immediately by decisive interventions:

- alert the public via the media
- alert the medical community
- take the product off the shelves in the Chicago area
- coordinate with government agencies
- pull all advertising for the product
- offer a reward of USD 100 000 for information on the perpetrators of the contamination
- inspect millions of Tylenol capsules in J&J offices and in regional offices of government agencies

Yet everyone was still in the dark: where did the problem lie? Failure or sabotage? The threat remained random and impossible to pin down. The people with whom action had to be coordinated, especially the FBI, were strangers to corporate culture. The company's image was about to be destroyed: "J&J, from cradle to grave". Staff were attacked, even in their private life: "Your father works for a firm that kills people!"

The light began to dawn shortly afterwards, with the discovery in Chicago stores of two more Tylenol capsules tainted with cyanide. These lots came from different sources, both in terms of their manufacture and their routing. So it was sabotage in the retail stores, and this was absolutely confirmed on October 2, when a ransom demand was received.

Faced with the unknown (which is always the most destabilizing), J&J was at least able to fall back on a very sound internal code that constituted a kind of anchor in the storm. This was the "credo" established forty years earlier by the son of the founder, who was president from 1938 to 1963. Its wording was particularly advanced for its time:

> *"Institutions, both public and private, exist because the people want them, believe in them, or at least are willing to tolerate them. The day has passed when business was a private matter – if it ever really was. In a business society, every act of business has social consequences and may arouse public interest. Every time business hires, builds, sells, or buys, it is acting for the...people as well as for itself, and it must be prepared to accept full responsibility for its acts." [Translator's note: taken from the J&J web site]*

The company had always made great efforts to give life to this credo. Meetings organized on the subject drew more than 4000 employees. The president himself chaired every meeting. In 1975, a redrafting of the credo was considered at the highest level, and it was modified slightly. The actions taken immediately after the onset of the crisis were guided by this credo: consumer safety and welfare were the first priorities, and everything else was secondary. The company's response was consistent with the first line of the credo: "We believe our first responsibility is to the doctors, nurses and patients, to mothers, and all others who use our products and services."

J&J insisted that this anchor was of great help to everyone when important decisions had to be taken in uncharted territory. It was a light at the end of the tunnel, a fixed reference point, but also extremely useful in terms of legitimacy. It provided the basis for the immediate reflex to protect the public: "act quickly and responsibly". It also underlay the communication policy: "tell what we know, as soon as we know it". And it provided immediate guidance for dealing with the outside world: "ask the public to trust us".

The news that new lots had been deliberately poisoned and the discovery that the packaging was vulnerable led the company to take some far-reaching decisions:

- It withdrew the product everywhere.
- It destroyed the entire stock.
- It set up a phone line to listen to and answer public concerns.
- It trained employees to receive calls (of which there were 30 000 over the next month).

But the company did not stop at a general recall. Tylenol was a very popular product and a profitable one, and the company did everything in its power not to leave its fate to the extortionists. It was the packaging alone that was at fault: over the short term, the market would have to be steered to an alternative format for the product (in tablets rather than capsules), and over the medium term, the product would be reintroduced in better-protected capsules.

This policy was supported by strong action at communication and marketing:

- Advertising: the company placed full-page ads in major American newspapers on October 12, offering to exchange bottles of capsules for tablets.
- It established a direct phone line for consumers within the first week of the crisis. Some 136 000 calls were received with 11 days following announcement of the service; and 210 000 calls within three weeks (specialized firms were hired to handle these calls, to the relief of J&J).
- 60-second spots were aired in October and November featuring the medical director announcing that the bottles would soon be available again with new packaging.
- The company's top executives made statements over the major TV networks.
- Other employees were trained to respond to interviews.
- A four-minute video was prepared for TV, showing how the tamper-proof packaging was made.
- Every letter addressed to J&J received an answer: some 3000 inquiries were handled in the course of a month and a half.

Nor was the internal front overlooked. The president took action immediately to let everyone know that a comeback was possible, and to dispel any defeatism: "We're coming back", he proclaimed. There was also ample

evidence of solidarity: J&J stood by its subsidiary, providing financial support and finding work for temporarily laid-off employees.

Beyond that, to give greater effect to its social responsibility, the company worked with the government and with Congress to promote new product packaging standards. It scheduled visits to more than 160 members of Congress in Washington to lobby for new legislation that would make it a crime to tamper with consumer products.

The company's management of the entire crisis demonstrated its capacity for initiative, based on its founding values. It did so again when the product returned to the market on November 11: the bottles of Tylenol now on the shelves were tamper-proofed with triple seals. The company was thus the first to comply with the new standards prescribed by the FDA (Food and Drug Administration). Once again, J&J demonstrated its operational capacities:

- Another big communication campaign: more than 2250 members of the corporate sales force (including J&J subsidiaries) were mobilized to make presentations to the medical community (70 per cent of all users take Tylenol on the advice of a physician). One million such presentations were made before the end of 1982; 450 000 e-mail messages were sent out to doctors and distributors.
- Another large-scale marketing campaign: discount coupons worth USD 2.50 were distributed through newspapers and via a toll-free number where people could request them. Discounts of up to 25 per cent were offered to retailers in order to win back shelf space. And a new advertising campaign was prepared.

Worldwide media interest in the case was enormous, producing 80 000 press clippings, 2000 telephone calls, hundreds of hours of radio and television reports - “the most widely covered issue since the Vietnam war”. And the company did not limit itself to providing basic information: answering some of the calls required extensive research, for example to provide details on delivery routings (for one investigative journalist pursuing a particular hypothesis), or examining this or that sabotage theory.

Matters came dangerously close to the precipice when a journalist asked about the presence of cyanide on company plants. The company responded, off-the-cuff, that it had none of that poison within its walls, and so the problem could not be an internal one. But then it was discovered, to the company’s horror, that there was indeed some cyanide in one of the company's research labs. If the press were to get its hands on that information, it could destroy J&J's credibility completely, for it would have been caught lying. If the press were to

publish such information, the general climate would inevitably condemn the company: in fact, the cyanide in the laboratory had absolutely no connection to the case, but in the midst of a crisis, who would be able to counter that hasty public verdict? The journalist was contacted, the response was corrected, and he was asked to use discretion, on understandable grounds. A second journalist learned of the report, and then a third. On each occasion the company took the same care in dealing with these scrupulous investigators who, after realizing that there was no real story involved, agreed to the embargo. The information was released later, at a time when the risk that it would be misconstrued could be better controlled.

Equally careful attention was paid to internal communication and to communication with shareholders (who are kept informed about the handling of the crisis). As a senior company executive put it:

> "Our most valuable constituents are the employees. We realized that from day one. In all, we produced four different videotaped special reports on the Tylenol crisis. We had an internal video network for our 165 companies and divisions, and we sent them cassettes. The tapes, lasting more than three hours, covered all important aspects of the evolving story and treated at length the president's teleconferences and [his appearance on an American TV programme]. The president and the CEO co-signed a letter that went to every employee in the United States, explaining the crisis, what the company was doing, and the steps we were going to take. The employee response was impressive. The crisis knitted our employees together, and bonded them as never before in the company's history. Of course, you'd rather wish it hadn't happened at all. But because the company responded the way it did, the employees were very proud of the organization." (Ten Berge, 1990, p. 25)

The crisis left seven people dead. 31 million bottles of Tylenol were recalled, at a cost of USD 100 million. Within a few months, the market was 98 per cent restored. This outcome can be explained by three fundamental strategic capacities:

1. The absolutely remarkable reflex capacity in the chain of command, despite the weakness of the initial signal; the ability to mobilize all the essential ranks, up to the president; the president's capacity to put the system in position for active response. All of this in 90 minutes.
2. The establishment of clear rules of response, deeply anchored in the company's core values: stop the deaths; discover the cause; help the victims; be transparent, and behave with humility.

3. Masterful conduct on all fronts: overall coherence, specific communications for each target audience, mobilization of all personnel, including retired workers, tracking public opinion, decisive intervention by the president, large-scale media campaign.

The conduct of this crisis can be summed up in three words: competence (both strategic and tactical), responsibility (both external and internal), and dignity. And to consolidate the overall dynamics, there was a real effort at learning, targeted at managers, the bulk of the staff (including retirees), and outside groups and institutions.

NOTES

1. Extracts from : Patrick Lagadec, *Apprendre à gérer les crises, Société vulnérable – Acteurs responsables*, Les Editions d'Organisation, 1994.

2. Taken from P. Lagadec, *States of Emergency*, 1988. Interview with Edgar Fasel, 127-131.

3. Interview with Edgar Fasel. See also "Sandoz s'engage pour un Rhin propre", Sandoz, brochure, summer 1988.

4. Steven Fink, op. cit. p. 204-206 ; Dieudonnée ten Berge, 1990, p. 25-26.

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