Case Studies on

MANAGING IN TROUBLED TIMES

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Case studies are intended to be used as a basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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AN OVERVIEW

Crisis management is a relatively new field of management. Crisis management is broadly defined as an organisation's pre-established activities and guidelines for responding to catastrophic events like earthquakes and storms, or incidents like workplace violence, kidnappings, bomb threats and acts of terrorism in an effective manner. It is the overall coordination of an organisation's prompt response to a crisis, with the goal of avoiding or minimising damage to the organisation's profitability, reputation, or ability to operate. It often includes strong focus on public relations to undo the damage to public image and assure the stakeholders that company's reputation is restored. From an organisation's point of view, crisis management is also referred to as 'Managing in troubled times'.

In a comprehensive Business Continuity Plan, any business could be subject to certain extreme circumstances. Indeed, the business will be in crisis. Crises can strike any company at any time. Microsoft, ValueJet, Chrysler, and Pepsi are some of the major companies that testify to this fact. Crises do not discriminate between companies on the basis of their size or reputation and can hit a company when it least expects them.

A crisis can be a disruption in the company's business. It can also be any serious business problem which is not generally known within the company, and which may generate negative news coverage when it goes 'public', resulting in more than a predetermined amount in fines, penalties, legal damage awards, unbudgeted expenses and other costs.

Troubled times for any organization can be due to any or a combination of the following reasons:

- Sales/revenues decline
- Profit/Net income decline
- Flat sales
- Flat profit
- Continuous losses
- Competition
- Loss in share price
- Financial failure due to poor business management
- Continuous loss in market share
- Increase in debt level
- Strikes/layoffs
- Product recalls or allegations of misconduct

- Sting operation by a news organisation or government agency
- Environmental violations, which could result in fines or legal action
- Customer allegations of overcharging or other improper conduct
- Investigation by a federal, state or local government agency
- Action by a disgruntled employee such as serious threats or whistle-blowing
- Indications of significant legal/judicial/regulatory action against the business
- Discovery of serious internal problems that will have to be disclosed to employees, investors, customers, vendors and/or government officials.

Regardless of the severity of the situation, crises cause a serious threat to the reputation and fiscal health of companies. However, some companies emerge from crises unscathed. If an organisation has strong corporate values, they help the organisation during a crisis to rescue it. For example, in the 1980s, when Johnson & Johnson found out that its Tylenol capsules in Chicago had been laced with cyanide, it swung into action in such an effective way that the case is now well-documented as an example of successful crisis management. Stating that "it believes that if a product causes harm, it should immediately be pulled from the shelves", the company quickly removed all the Tylenol capsules from the shelves throughout America, not just in Chicago.

The factor that determines how a company withstands a crisis is its ability to respond to the crisis. Once a crisis occurs, the company suddenly becomes a target for the media. One major challenge the company has to overcome is to avoid negative public perception.

The way of dealing with a crisis depends on its nature, scale and seriousness. In some cases, crises can be prevented through diplomacy or other measures while others require more robust measures. Depending on the nature of the crisis, different types of crisis management operations might be required. An effective crisis management programme should always be consistent with the organisation's mission. Ultimately, a company's crisis management strategy needs to be integrated with its overall corporate strategy. A crisis management programme should have one overarching goal – to ensure that a company has the cash available to make value-enhancing investments.

Crises require fast, sound decision-making. But how do you make effective decisions during a crisis when it is difficult to figure out what is important and what is not? Crises create a distinct feeling of stress. Decisions taken under stress often go awry and that in turn can aggravate rather than alleviate the situation.

Most organisations recognise the possibility of a crisis happening, but they differ in terms of how prepared they are when a crisis does strike. One reason so many organizations are hit hard by unexpected crises is that they fail to notice in time the symptoms or signals of the approaching trouble.

Today’s business environment requires a robust, enterprise-wide plan to deal with unexpected crises. Never before has crisis management been more important. As recent events have shown, the business community, as well as the communities at large, is vulnerable to disruptions that can prove extremely costly. Company reputation and brand, as well as the trust and loyalty of the stakeholders, are all critical factors in the background of crisis management. Leaders play a strategic role in organisational sustainability to contribute tangible deliverables through advance preparation, including safety and security initiatives, leadership development, talent management and communication plans to support crisis management.

Through crisis management planning, organisations can be better prepared to handle unforeseen events that may cause serious or irreparable damage. There is a growing interest in the relationship between the importance of leadership and crisis management. Harvard Business School professor, Daniel Goleman, says that leaders with emotional intelligence competencies (such as empathy, self-awareness, persuasion, teamwork skills and the ability to manage relationships) are effective leaders. Such attributes are important in crisis management.

During a crisis situation, one of the roles of a leader is to create and sustain the organisation’s credibility and trust among the stakeholders of any organization (e.g., management, employees, customers, suppliers, partners, communities, investors, media, government, special interest groups). Depending on the crisis situation, a leader’s goal is to assist the organisation in returning to normalcy. Overall, it is important to protect and sustain the organisation’s reputation, brand and value in the marketplace.

The first step of strategic crisis management is the establishment of a crisis management team. Information-gathering is a key part of strategic crisis management planning. By utilising scanning methods such as SWOT analysis, organisations can begin to make better-informed decisions and build greater management consensus.

Companies that face troubles/crises generally adopt the following measures to manage the same:

- Leadership change
- Senior management change
- Selling of non-core businesses
- Selling of non-core assets
- Restructuring/streamlining operations to cut costs
- Lay off/retrenchments to cut costs
- Expanding markets/products to fend off competition
- Joint venture or partnership

- Focusing on core/major business or market
- Improving after-sales service to major customers.

This book chronicles business situations that have been carefully crafted to provide a highly practical resource to readers with different levels of experience and are especially valuable for new managers. This book illustrates that, to manage troubled times, companies adopt any of the following common strategies that fall under three broad disciplines – operational, product and intimacy.

Cut costs (operational discipline): All organisations are under pressure to cut costs but firms which have operational excellence grow more than others.

Streamline operations (operational discipline): While cost-cutting focuses on reduction of expenditure, streamlining focuses on working better or smarter. The end result is reduced costs or the slowing of escalating costs.

Get new products out (product discipline): Product leaders force customers to pay a premium by making their new products irresistible like digital cameras or enterprise software platforms. Accelerating product development provides these companies with a competitive advantage—being the first to market with the Next New Thing.

Create new markets (product discipline): Some firms must survive by creating new markets. This can be through product extensions or by creating new product categories with unique items. For example, a company using the Internet to distribute multimedia content.

Improve customer relations/CRM (intimacy discipline): Numerous studies have shown that customers like being taken care of. This remains a major driver behind CRM efforts that are in essence a company-wide attitude.

Integrate customer business operations (intimacy discipline): Many organisations are now functionally entangled. It is common for organisations with a customer intimacy discipline to have employees and computers in their customers' offices for performing operations on behalf of the customers.

This book contains 25 case studies spanning 18 different industries to illustrate a range of issues in depth. The following table lists the cases in the book and relates them to the conceptual framework, giving the primary issues each case is designed to highlight.

Two cases, *Troubled Times at Unilever* and *Regal Entertainment Group: Managing Troubled Times*, help in understanding the concept of 'Streamline operations (operational discipline)'. *Troubled Times at Unilever* highlights how Unilever restructured its business to retain its profitability and market share, which had been declining. The second case deals with the strategies taken up by Philip Anschutz to refurbish a chain of bankrupt theatre chains - United Artists Theatres, Regal Cinemas, and Edwards Cinemas into the largest single theatre chain in the US.

Title of the Case Study	Industry	Primary Conc
Alitalia: The Airline in Trouble	Commercial aviation	Create new ma discipline)
Challenging Times of Japan Tobacco	Cigarettes and tobacco products	Get new produ discipline)
Converium: The Swiss Reinsurer's Troubled Times	Insurance	Cut costs (oper and Streamline (operational di
Gaming Market: Nintendo's Struggles	Electronic gaming products	Get new produ discipline)
Havas: Troubled Times at French Advertising Giant	Advertising & Marketing	Create new ma discipline)
Kodak: Fading Moments in Digital Photography	Photography equipment	Get new produ discipline) and Create nev discipline)
Krispy Kreme Doughnuts: The Troubled Times	Speciality Eateries	Improve custor (intimacy disci
LSG Sky Chefs: Managing in Troubled Times	Airline catering	Get new produ discipline)
Marks and Spencer: The Downfall and Leadership Vacuum	Retailing	Improve custor (intimacy disci
Merck: A Future Laggard in the Global Pharmaceutical Industry?	Pharmaceutical	Cut costs (oper
Mitsukoshi: The Japanese Retailer's Troubled Times	Retailing	Cut costs (oper and Streamline (operational di
Motorola in China	Telecommunications	Get new produ discipline)
Motorola's Lost Opportunities	Semiconductors	Get new produ discipline)
Poland Spring – Managing in Troubled Times	Beverages	Integrate custo operations (int
Proton: The Malaysian Car Maker's Troubles and Challenges	Auto manufacturing	Get new produ discipline)

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Troubled Times at Diageo	Beverages	Get new produ discipline) and Create nev discipline)
Troubled Times at Perrier	Water & Ice	Cut costs (opeı and Streamline (operational di
Troubled Times at Unilever	Personal Care Products	Streamline ope discipline)
United Airlines' Growing Troubles: Looking for Solutions	Commercial aviation	Get new produ discipline)
WH Smith PLC: The British Retailer in Trouble	Retailing	Create new ma discipline)
Yoshinoya: Managing in troubled times	Food retailing	Improve custoı (intimacy disci

One case, *Merck: A Future Laggard in the Global Pharmaceutical Industry?,* helps in understanding the concept of 'Cut costs (operational discipline)'. Merck laid off 4,400 employees in 2003 to cut costs.

Three case studies highlight both stream line operations and cut costs (operational discipline). *Mitsukoshi: The Japanese Retailer's Troubled Times* outlines how Mitsukoshi restructured its businesses and cut costs to avoid further troubles.

There are four cases in the book that deal with 'Create new markets (product discipline)', providing insight into issues like how companies are combating with troubles through product extensions or by creating new product categories. While *WH Smith PLC: The British Retailer in Trouble* talks about competition from supermarkets and specialist retailers and strategies to combat the existing competition in the industry, *Alitalia: The Airline in Trouble* highlights the new industrial plan jointly developed by the government, Alitalia and the employee unions to increase its market share under stiff competition from low cost airlines.

Readers would also find eight case studies dealing with 'Get new products out (product discipline)'. In *Motorola's Lost Opportunities,* to maintain its competitive position, Motorala launched new models of handsets. The concept is also illustrated through *Nintendo's Struggle In Gaming Market*. Nintendo launched GameCube to combat the competition it encountered in the video games market, especially from Sony's PlayStation and Microsoft's Xbox.