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## Public Scepticism and the Social Conscience : New Implications for Public Relations

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**Edith Cowan University**

**Faculty of Communications, Health and Science**

**School of Communications and Multimedia**



***Public Scepticism and the Social Conscience: New Implications for  
Public Relations***

**Rachel Yeates**

**Bachelor of Communications Honours**

**Research Thesis**

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**ABSTRACT**

*This research thesis explores the question “how can public relations counteract growing public scepticism, maximising trust and goodwill between an organisation, its target publics and the wider community?” Public scepticism of large corporations is not a new phenomenon, but it is gaining great momentum. Subsequently, it has been suggested that the practice of corporate public relations must focus on fostering an organisational culture that adopts a ‘social conscience’, that is necessary to counteract consumer distrust. This includes organisations practicing attributes of ‘excellence’ such as open communication, corporate transparency and honesty. They must also be aware of, and sensitive to, the interests of their publics, the community and the environment. To achieve this, researchers have indicated that the role of the public relations practitioner must go through a process of change.*

*This study intends to portray how the practice of socially conscious public relations can counteract increasing public scepticism in order to restore consumer trust, and mutually benefit both the public and the organisation.*

## DECLARATION

**I certify that this thesis does not, to the best of my knowledge and belief:**

- (i) incorporate without acknowledgement any material previously submitted for a degree or diploma in my institution of higher education;
- (ii) contain any material previously published or written by another person except where due reference is made in the text; or
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**Date.....** 2/09/2003 **.....**

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A handwritten signature, possibly reading '20', is written in pencil or light ink.

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# CHAPTER ONE

## INTRODUCTION

Public scepticism, aroused by concerns over the power and influence of large corporations has always existed. As emphasised by Ihator, “historical tension has always existed between power holders and the ordinary citizens. With its extensive power and influence, society continues to accept corporate messages with some grain of salt...” (1999, p.37). In a survey conducted by Harlan Teller (in conjunction with the Opinion Research Corporation, 1998), statistics showed that only 12 percent of the American public trusted large corporations (2002, p.19). A majority of survey participants also stated that they “believed that any company responding to an allegation of wrongdoing with the phrase ‘no comment’ was undoubtedly guilty” (Teller, 2002, p.19).

The practice of public relations is primarily concerned with ‘relating to the public’ (Clarke, 2000, p.364). An understanding and concern for public attitudes and public expectations is critical to the continuing success and competitiveness of an organisation.

It is perceived that public attitudes towards large organisations have significantly changed over the last few decades, especially in the wake of the recent Enron Corporation collapse and previous other incidents such as the Exxon Valdez tragedy. As a result, consumers are becoming increasingly sceptical of business morality. According to Arbouw (2002, p.4), the once intrinsic trust that investors held in company directors, is under threat.

This poses a significant challenge for today’s public relations practitioners. In alliance with this concept, this thesis will examine firstly, how public scepticism impacts on the role of public relations and, secondly, how public trust can be restored as a result of this changing role.

Initially, an analysis of why public scepticism has grown within the past twenty years is examined, as well as how certain incidents and events have influenced its growth. Ihator believes that the practice of public relations has not always been viewed positively

within the social arena (1999, p.34). This view must be taken into consideration when analysing the development of public scepticism and thus a brief history of worldviews of public relations is provided.

The second key concept to be examined within this thesis is the notion of the social conscience. Teller asserts that corporations must “project human values – values like integrity, transparency, sensitivity, responsiveness and inspiration” (2002, p.20). Thus the meaning of a social conscience is defined, and the concept of how, when fostered within an organisation’s culture, it can restore consumer confidence, is explored. The influence that both public scepticism and the social conscience have on the role of the public relations practitioner is crucial to the examination of this research.

The notion of the social conscience is also defined to show its correlation to the attributes of ‘excellence’, as identified by Grunig (1992). The importance of attributes such as trust, relationship building and dialogical communication between an organisation, its target publics and the wider community are illustrated. As stated by Grunig, “corporations today have the responsibility of being a positive force in the social and political arena” (1992, p.240).

Through the examination of four case studies, which are perceived as being largely influential in changing public attitudes towards large corporations, the theory behind the social conscience is researched in an analytical method. The 1989 Exxon Valdez disaster that occurred at Prince William Sound in Alaska, is one case study that is discussed to show how the corporation’s handling of this incident influenced public attitudes towards issues of accountability and social responsibility. The recent collapse of the Enron Corporation is also explored to portray how dominant coalitions are influencing the continuous growth of public scepticism.

In contrast to these two case studies this research looks at the activities and consequent positive outcomes of the 1982 Johnson & Johnson Tylenol poison extortion case. This example is discussed and analysed as an example of how consumer trust can be protected and restored. The more recent Herron Paracetamol poison incident is also discussed to show that through the recognition of public interests, by public relations practitioners and their respective organisations, public trust can be preserved and

ultimately strengthened regardless of a crisis. The qualitative analysis of these two positive outcome case studies provides evidence to show that, through the fostering of a social conscience, organisations can maximise consumer trust.

There is much evidence to suggest that the role of the public relations practitioner must change as a result of the influence of growing public scepticism. This research will indicate that public scepticism can dissipate, maximising public trust, through the cultivation of a social conscience within a corporation's organisational culture.

## CHAPTER TWO

### SIGNIFICANCE OF THIS RESEARCH

Public scepticism should be of growing concern to organisations. It powerfully influences an organisation's reputation, credibility and market competitiveness. Arbouw states that although there have been corporate failures before; they are no longer being viewed by the public as isolated incidents (2002, p.4). According to Li, public scepticism is not a new phenomenon, but in recent times it has gained great momentum (2001, p.11).

Theories of public relations and best practice are commonly critiqued and discussed among academic writers. Grunig and Hunt (1984), White and Dozier (1992) and Grunig (1992) are just a few of these writers who discuss in great depth definitions of public relations, including the history of public relations and prevailing worldviews. Grunig (1992) in particular, provides thorough discussion based on various models of public relations and their functions.

Grunig (1992) discusses the role of the public relations practitioner in great detail, analysing the relationship between good public relations practices and societal perceptions. The first section of this thesis draws upon these discussions to construct a history of how the practice of public relations is viewed within the public sphere.

The assumption that the role of public relations has changed within the past twenty years and is continuing to change is asserted in an article by Paine (2001). Paine argues that the old role of the public relations person as a 'persuader' and a 'technician' has come to an end, suggesting that public relations people should now focus on being influential in the decision making process.

Grunig (1992) also effectively explores this concept, discussing the key attributes required for achieving excellence in communication. Based on the findings of the studies held by the *IABC Research Foundation* from 1982 to 1992, Grunig (1992) argues that for public relations to be 'excellent', "public relations must be viewed as symmetrical, idealistic and critical, and managerial" (Grunig and Dozier, as cited in


Grunig, 1992, p.31). Lindeborg (1994) also elaborates on the findings of the *IABC Excellence Study* discussing its implications for public relations practitioners. This research adopts some of the Grunig's (1992) attributes of excellence, to depict how public relations practitioners can utilise these attributes to restore consumer confidence.

Key attributes of excellence are also adopted to define the notion of the social conscience. The term 'social conscience', although not being a new phenomenon to theories of public relations, is not commonly employed by academic writers. Clarke (2000) refers to the notion of 'corporate social responsibility' with regard to corporate image but does not explore the internal implications of a socially conscious organisational culture. The concept of the social conscience has not yet been analysed in terms of its effects on public scepticism or the influence that public scepticism has on a corporation.

The importance of being socially conscious is also referred to by Baker (1993). Although refraining from going into depth and defining the social conscience, Baker (1993) provides some valid conclusions about the relationship between ethics and public relations. Baker (1993) also provides a history of practical case studies to illustrate the failures and successes of organisations in the face of public criticism.

In the text *Critical Perspectives in Public Relations*, L'Etang and Pieczka (1996) devote a chapter to corporate social responsibility and its relationship with public relations. Using utilitarian and Kantian theories of thought as the foundation of her analysis, L'Etang (1996) takes a moral philosophical perspective on corporate responsibility. This chapter also critiques the notion of corporate responsibility presenting a variety of arguments based on economic and social incentives. This includes arguing that being socially responsible is not a philanthropic gesture but is instead purely motivated by individual interests.

Furthermore L'Etang (1996) suggests that the idea of public relations as the 'conscience' of an organisation is motivated by organisational goals rather than moral obligation to society. Ulrich (1995) also discusses the relationship between public interests and organisational interests in a similar but more simplistic manner; using Kantian thought to analyse morality and responsibility.



The theories of L'Etang (1996) and Ulrich (1995) are examined within this thesis to assist in identifying and defining the 'social conscience'. They also help to define the role of public relations within an organisation. Both authors provide some valid discussions concerning the motivation and incentives for corporations to foster a social conscience. This view is somewhat critical of the idealistic theory of mutual gain, which is evident within Grunig's theory of 'excellence' in communication.

Ihator (1999) provides a substantial argument about why publics are sceptical of large corporations. "Corporate public relations has often been viewed by society... with scepticism and sometimes cynicism" (Ihator, 1999, p.33). He argues that public distrust of economically powerful institutions has always existed.

Ihator (1999) substantiates these claims of existing power dynamics and public distrust through the use of statistics based on corporate profit growth margins in comparison to worker pay rises in the 1990s. Although this article provides plausible reasons for the development of public scepticism, it fails to present solutions. Rather it maintains that public scepticism is not something to overcome but more an obstacle to take into consideration. This thesis draws upon the argument presented by Ihator (1999) in defining public scepticism, but endeavours to strengthen the argument by presenting solutions to counteract consumer distrust.

Public scepticism can be defined as a product of economic unfairness. As this research is essentially concerned with the practice of public relations and is therefore focused on the behaviour of an organisation, rather than their economic practice, the definition of public scepticism will be limited to relate to conduct that is perceived as dishonest or irresponsible. Issues concerning economic unfairness may be referred to but will not be the foundation on which public scepticism is defined.

According to Li, "never before has the tension between corporations and society been as high as it is now" (2001, p.11). The issue of public scepticism has previously been discussed in academic literature in the field of public relations. The impact of credibility loss and the importance of open communication and relationship building have been

commonly identified by prominent public relations theorists. However, the intersections of the social conscience and public scepticism have not been discussed.

This study is unique as it combines the two concepts of public scepticism and the social conscience to illustrate how they will affect the future practice of public relations. Rather than consider these two concepts separately, as other researchers have done, this study examines how public relations practitioners can positively influence the organisational culture of a corporation, encouraging it to foster a 'social conscience', and consequently diminish consumer scepticism, maximising public trust. This thesis determines why public scepticism is increasing and how the practice of socially conscious public relations can restore consumer trust.

Paine suggests that the old role of the public relations person is over, "as "reputation managers" we should be helping guide our organisations to new heights of social responsibility and institutional respect, not just crafting messages" (2001, p.47).

Through the analysis of qualitative information based on the theories and arguments of prominent public relations writers as well as the exploration of relevant case studies, the need for a change in the role of the public relations practitioner is realised.

By analysing the development of public scepticism the question of how public relations can maximise consumer trust is answered. A greater understanding of what it means to possess a 'social conscience' is established, including an insight into the benefits that fostering such a culture holds for an organisation and its stakeholders.

## CHAPTER THREE

### PREVAILING WORLDVIEWS OF PUBLIC RELATIONS

Li comments that “society has long regarded the corporate world with mistrust and scepticism” (2001, p.11). Consumer scepticism is not a new phenomenon but it is gaining great momentum. Stoff believes that “today we not only have to worry about our own image and credibility, but the fact that more and more people don't seem to believe or trust anybody” (1996, p.18). Public attitudes towards large organisations have significantly changed over the last few decades as consumers become more aware of how corporations conduct their business activities and are increasingly conscious of the impact that organisations potentially incur on their customers, the community and the environment.

The international growth of large organisations, with increased capital and external influence, poses a real threat to consumer confidence and trust. In the wake of the recent Enron Corporation collapse and previous other incidents such as the Exxon Valdez tragedy, it is evident that consumers are becoming more sceptical of business morality and the conduct of large organisations.

The prevailing perception of public relations is that of an instrument of manipulation and persuasion (Yeates, 2002, p.20). Although excellent public relations theory encourages relationship building and open communication, the conduct of public relations practitioners is still viewed by the mass population as one of spin-doctoring and coercion (Ihator, 1999, p.34). The practice of public relations has never truly been viewed favourably in the public eye.

To understand the origin and growth of public scepticism, it is essential to develop an understanding of worldviews of public relations. Ihator believes that the practice of public relations has not always been viewed positively within the social arena (1999, p.34). Similarly Stoff comments that “credibility is an issue looming ever larger for professional communicators” (1996, p.18). The prevailing view of public relations plays an important role in the process of maximising public trust and counteracting the growth of consumer scepticism (Yeates, 2002, p.20).



The practice of public relations is predominantly associated with negative connotations of corporations attempting to persuade public behaviour without changing the activities of the corporation itself. Consequently only favourable information about the organisation is disseminated. Historically the discipline of public relations was used as a manipulative tool but public and media hostility have since influenced its methods, and continue to demand a change in methodology. Public relations practitioners need to combat this public hostility by being 'professionals' within their field.

In 1922 Edward L. Bernays described the new public relations profession as different from the conduct of press agents and publicists, as practitioners would be ethical, socially responsible and act professionally (Grunig and Hunt, 1984, p.3). Public relations practitioners need to understand the desires of the public and "interpret the organisation to the public and the public to the organisation" (Grunig and Hunt, 1984, p.3). But despite these aspirations, public perceptions concerning the profession of public relations remain negatively associated with its origins; activities of persuasion and propaganda.

Previous persuasive models of communication, featuring a one-way flow of information, were once assumed by corporations to be the most effective method through which to communicate to the stakeholders. One such example is the Domino Model of communication featuring a sequence of falling dominos each designed to impact its successor to produce desired behavioural change (Grunig, 1992, p.164). The asymmetrical process of passing information from the sender to the receiver, in an attempt to change the behaviour of the consumer (receiver), relies on the fact that the message will satisfactorily affect one's attitude towards a product or organisation. The successful communication of knowledge will then sequentially change their behaviour towards the sender.

In order to achieve this desired outcome the target audience must first receive the message successfully, without any interruption or ambiguity, and secondly the dominoes must fall sequentially. Grunig (1992, p.166) states that the probability of this objective being achieved is very minimal. Grunig (1992, p.176) comments that the Domino Model of communication and other models based on an asymmetrical process of communication, portray the presupposition of "communication and public relations

as something organisations do to - rather than with – people”, reinforcing the prevailing view that public relations is essentially a persuasive and manipulative tool.

Grunig (1992, p.483) states that “professionalism...remains an illusive goal for public relations practitioners”, as practitioners often remain at the technical level; never to be included in the decision making process. According to Paine, public relations practitioners “should be shaping the actions and deeds of our companies, not just the words” (2001, p.47).

The exclusion of public relations practitioners from “managerial decision making seems counterproductive for them, for their field, for their organisations, and perhaps even for their broader society” (Grunig, 1992, p.484). Paine (2001) comments that for public relations practitioners to be effectively communicating with their stakeholders they must be involved in the management process rather than just in the delivery of the message.

In contrast to the asymmetrical process is the symmetrical model of communication, which fosters the opportunity for target public feedback, creating the prospect for each communicator to potentially influence the receiver. In two-way symmetrical communication the public has an equal opportunity to change the attitude and behaviour of the organisation (Grunig & Hunt, 1984, p.23). Unlike one-way asymmetrical models of communication, the two-way process is often aimed at achieving long term objectives and developing a positive rapport between the organisation and its target publics.

In the two-way symmetrical communication process, the public relations practitioner is involved in the decision making process. “Manager role enactment is more frequent in organisations practicing the two-way symmetric...models of communication” (Grunig, 1992, p.347). The inclusion of the public relations practitioner in the management process is vital to the organisation’s social reputation. This issue will be further discussed in subsequent chapters.

The asymmetrical communication process implies that the public relations practitioner assume the role of a ‘technician’ rather than being a manager. Grunig (1992, p.347)

proposes that the technician role is more frequent “in organisations practising the press agency and public information models of public relations”. As ‘technicians’, public relations practitioners are responsible for the delivery of the message to stakeholders and other communication services but are excluded from any key decision making processes.

The role of the public relations practitioner has until recently been limited to one of ‘technician’ rather than ‘manager’. Grunig (1992, p.330) states that traditionally public relations practitioners have been concerned with discrete tasks, such as press releases and publications, which are short term communication achievements. Perhaps this limited role is a direct outcome of the prevailing worldview that public relations is concerned with manipulation and persuasion and so practitioners should not be trusted.

‘Professional’ public relations practitioners can counteract this negative public perception and its associated hostility, by encouraging the internal cultivation of a ‘social conscience’. Baskin, Aronoff & Lattimore (1997, p.13) stipulate that “public relations practitioners are basically responsible for assimilating and communicating information between an organisation and its environment”.

Despite the obvious benefits of two-way symmetrical communication, some organisations continue to use persuasive models of one-way information flow, to communicate with their stakeholders. The reasons behind this preference are generally based on the continuance of historically established and accepted asymmetrical models of public relations and/or, a lack of knowledge within the dominant coalition about the benefits of alternative two-way symmetrical communication models.

Grunig (1992, p.182) comments that “the concept of symmetry suggests that the organisation itself – and especially the dominant coalition – should adjust and adapt to publics whom survival and growth depends”. It is also considered a process that requires long term investment of both the organisation’s resources and finances, but subsequently has the potential to produce both financial and social benefits for both concerning parties within the future.

The prevailing negative view of public relations has hindered its recognition as a profession. In the 1980s public relations finally began to be recognised as a true profession but unfortunately over the last two decades there have been incidents that have generated consumer scepticism surrounding the ethics of the profession and the conduct of large corporations.

This poses the challenge for public relations professionals to ensure that two-way symmetrical processes of communication are being fostered within organisations. Corporations must be concerned about the interests of their stakeholders and the community and change their behaviour accordingly. Although it cannot be denied that public relations intend to influence the opinion of the public, it is the manner by which these objectives are reached that determines the success of the key messages being received and the resulting societal view of the profession.

It is apparent that the most basic way that public relations influence stakeholder perceptions is by enhancing an organisation's prestige. When attempting to influence public opinion it is imperative that the issue of social responsibility is a priority. Public attitudes towards large corporations depend largely on the conduct of the organisation. If an organisation is acting in a socially irresponsible manner, then the public develops a negative attitude towards the organisation and consequently becomes sceptical of their behaviour and interests.

To achieve 'excellence', Grunig (1992) believes that public relations practitioners must be 'managers' rather than 'technicians' designing long term communications objectives. The role of the 'manager' in comparison to the 'technician' is discussed further in Chapter Four. With public relations practitioners in management roles, the organisational culture of a corporation can be shaped to include a 'social conscience' and respond accordingly to societal expectations and demands.

## CHAPTER FOUR

### CONCEPTUALISATIONS OF PUBLIC SCEPTICISM

Scepticism is commonly defined as a doubting, pessimistic attitude towards people. The growth of consumer scepticism must become an issue of concern for organisations as without consumption, corporations cease to be competitive. Concepts of public trust, accountability and social responsibility, must be the foremost concerns of the dominant coalition, and be reflected in the behaviour and organisational culture of the corporation. Strong, Ringer and Taylor (2001, p.219) comment that “the factors critical to satisfaction across stakeholder groups are the timeliness of communication, the honesty and completeness of the information”.

Ihator (1999, p.35) believes that historical tension between power holders and the public has always existed and that the public is, and has always been, aware of the significant influence of large corporations in the public sphere. Ihator also believes that the rise of public distrust can be attributed to perceived social unfairness, “even before the advent of modern capitalism, there was always distrust between holders of economic power and the common people” (Ihator, 1999, p.35).

L’Etang (1996, p.85) comments that within the 1960s and 1970s many people “criticised the role of large corporations and power elites and argued that political and economic justice could only be achieved through a redistribution of power and goods”. This theory is in alignment with the public perception that increased power should bring increased responsibility and a greater sense of accountability.

The 1990s saw a dramatic increase of total corporate profits without an equal increase in the workers’ average wage. In the United States, between 1990 and 1995, the average workers’ wage rose by 16 percent in contrast to the 75 percent increase experienced in total corporate profits (Lloyd, cited in Ihator, 1999, p.36).

Consequently, corporate downsizing, mergers and the growing power of corporations have increased public scepticism. In an article, published in *Public Relations Quarterly*,

Gina Li comments that the tension, that presently exists between corporations and consumers, has never before been so high (Li, 2001, p.11).

The recent collapse of large corporations such as Enron Corporation, and the subsequent loss of investor money, has only fuelled the fire of public scepticism, dramatically influencing the decline in consumer confidence (Yeates, 2002, p.15). In the case of the Enron Corporation collapse it was the “artificially inflated profits, dubious accounting practices, and - some say - fraud” (The Enron Affair, BBCNews, 2002), that destroyed consumer confidence.

Ongoing investigations into the corporate collapse reveal the extent to which investors were misled by shady partnership dealings, “including concealing debts so that they didn’t show up in the company’s accounts” (The Enron Affair, BBCNews, 2002). The inherent trust that existed between stakeholders and company directors has been broken, leaving consumers and stakeholders questioning the conduct and integrity of businesses (Arbouw, 2002, p.4).

In an article authored by John Arbouw the importance of trust is discussed with reference to recent company collapses (2002, p.4). Arbouw comments that although there have been many corporate failures before, including the occasional scandal or pay-off, recent corporate scandals are no longer being viewed by the public as isolated incidents and are producing suspicion concerning issues of governance, regulation and corporate ethics (2002, p.4).

This suggests that through increased awareness via the media and other predominant forms of communication such as the Internet, the public are increasingly suspicious of the activities of large corporations and doubtful of their intent and honesty. This increased scepticism requires for the current dominant practice of public relations within corporations to be reviewed, and consequently reconsidered, in order to maximise public trust and stakeholder confidence.

Public trust and stakeholder confidence are fundamental to the establishment of strong, long term relationships between organisations and their stakeholders. Without consumer trust, corporations will not have a competitive market advantage and will lose the

support of their target publics. In the case of American corporations, Kurlantzick comments that “experts have reached a conclusion the public already seems to have drawn: Investors simply do not trust American business” (2002, p.30). It is evident through public opinion that consumers no longer trust in the operations or directorship of large corporations.

In order to strengthen consumer trust, the role of the public relations practitioner must be reviewed (Yeates, 2002, p.22). Corporations need to value the opinion of the consumer and key stakeholders to remain competitive within the market. This can be achieved through educating the key decision makers within the corporation to understand the significance of public trust and the detrimental impact that a poor public perception can have on the stability and growth of the company.

As illustrated in the case studies, neglecting to perform good public relations can quickly generate a poor public reputation which can hinder the success of a corporation. Public scepticism is the direct result of this neglect and is formed when corporations refuse to consider the expectations of key stakeholders and deny accountability for their actions. Excellent public relations which consider the external effects of internal activities, can only occur when public relations practitioners are included in the decision making process of the corporation.

This requires for key decision makers within a corporation to be educated to understand that the public relations practitioner should be involved in the strategic development of the company, rather than just being disseminators of information. By reconsidering the role of the public relations practitioner and including them in both the strategic development of the company and the decision making process, public trust will then be both valued by the corporation and actively restored, counteracting the growth of public scepticism.

The assumption that the role of public relations has been reconsidered within the past twenty years and is continuing to change is asserted in an article by Paine (2001). Paine argues that the historically established role of the public relations person as a ‘persuader’ and a ‘technician’ has come to an end, suggesting that public relations people should now focus on being influential in the dominant coalition.

The dominant coalition is defined as “the group of senior managers who control an organisation” (Grunig, 1992, p.5). Public relations professionals should be included in the dominant coalition of an organisation as communicators, internally and externally, to assist in the decision making process of the organisation. By being involved in the dominant coalition, public relations professionals can communicate the desires of the public to the managers and influence the way decisions are made to consequently benefit both parties.

Grunig, Grunig & Dozier (2001, p.3) comment that although expertise in public relations may seem to be essential for organisations to remain competitive, it is often dependent upon how managers and their respective organisations recognise and empower the role. Grunig et al (2001, p.3) recognise two primary reasons that explain the lack of recognition and empowerment in the practice of public relations within organisations. Firstly, that “senior managers with the most power in an organisation - the dominant coalition - often fail to recognise and appreciate their dependency on the public relations function” and secondly “public relations practitioners often lack the expertise needed to meet that dependency even if the dominant coalition recognises it” (Grunig et al, 2001, p.3).

These two reasons pose two challenges 1) to educate the dominant coalition of the potential benefits of public relations professionals being involved within the management role and 2) to educate public relations professional to be more than just ‘technicians’ and recognise and use their skills.

In 1984 these primary concerns, regarding the effectiveness of organisations, prompted a study in the attributes and requirements that practitioners need to achieve what is termed ‘excellence’ in public relations. The research, lead by the IABC Research Foundation, subsequently resulted in the determination of what defines an organisation as being ‘excellent’ in communication management, identifying ideal components, critical success factors and best practices in public relations (Grunig et al, 2001, p.7). By encouraging and practicing excellent public relations within a corporation the problem of growing consumer scepticism can be positively counteracted. So what determines ‘excellence’ in public relations?



## **CHAPTER FIVE**

### **EXCELLENCE IN PUBLIC RELATIONS AND THE SOCIAL CONSCIENCE**

The practice of excellent public relations can be identified through the way an organisation communicates with both its internal and external publics. Excellence in public relations can be defined in differing ways. It can be defined in terms of financial growth, financial achievement, market dominance, product, promotion and even levels of innovativeness. Within the public relations context, Grunig (1992, p.223) defines 'excellence' as a result of organisational effectiveness. More specifically, Grunig (1992) relates organisational effectiveness to conducting excellence in management.

The achievement of excellence in management has implications for the achievement of excellent communications. According to Grunig (1992) there are a variety of attributes that contribute to achieving organisational effectiveness. Grunig (1992, p.223) identifies twelve attributes that contribute to the achievement of excellence in management. Although all being equally important, for the sake of this research, only a few of these attributes will be considered further.

The involvement of public relation practitioners within management plays an important part in the defining of organisational excellence and subsequently, the achievement of excellence in public relations. An organisation's management, or dominant coalition, acts as the apex of decision making for the corporation, and determines the way a corporation conducts both internal and external activities, and how the corporation is predominantly viewed by society. Management must be a key target audience for public relations professionals. The support of the dominant coalition must be earned through education and through the acknowledgement that public relations professionals have the potential to benefit the organisation.

Grunig (1992) defines a public relations 'professional' as someone who is influential in the dominant coalition, those senior managers who control the organisation and who also encourage ethical behaviour. Public relations managers communicate the view of the public and other target audiences to the dominant coalition and must communicate

with the public to be able to do so (Grunig, 1992, p.5). Grunig (1992) identifies the inclusion of public relations professionals into management as being the key factor to positively change the organisational culture of a corporation.

“Communication departments cannot make organisations effective unless public relations functions as an integral part of management” (White & Dozier, cited in Grunig, 1992, p.91). In order to be influential in management, public relations professionals must have valuable knowledge about the organisation and its external environment. This includes knowledge about stakeholders and activist groups to ensure that management can make informed and effective decisions.

The possession of knowledge about an organisation is essential to the process of being valued by the dominant coalition. Educating the dominant coalition about the external environment of the corporation will allow for them to be aware of the interests of the public and the potential consequences that ignorant management decisions may have on those publics. Meeting the expectations and demands of the public to combat public scepticism can not be achieved unless public relations practitioners are influential in the decision making process.

The dominant coalition’s acknowledgement of the potential benefits of excellent public relations can enable public relations to be empowered as a management function. As a part of management, public relations professionals can provide beneficial information concerning stakeholder and public interests to the corporation, as well as communicate back the interests and concerns of the organisation.

Infiltrating into the management sector can prove difficult to a public relations practitioner. To be able to communicate effectively with both parties the public relations practitioners must be skilled in boundary spanning and environmental scanning.

External knowledge is obtained through the process of boundary spanning and environmental scanning. This means that public relations practitioners need to look outside their organisation and develop an understanding of how the public and society view the organisation, as well as what they identify as significant and important.

Boundary spanning includes gathering, selecting and relaying “information from the organisation’s environment to decision makers in the dominant coalition” (White & Dozier, cited in Grunig, 1992, p.93). This assists the dominant coalition and the public relations professional in nurturing and managing relationships with its publics, and the wider community. This is essential in the fight to diminish public scepticism and restore consumer confidence.

Environmental scanning has a similar impact in that it is the monitoring of external and environmental forces that may influence the organisation’s decision making. Practitioners who do not participate in boundary scanning and environmental scanning cannot be influential in the dominant coalition as they will not possess internal or external knowledge of the corporation and will not be influential in shaping the values of the organisation.

According to Ulrich and Sarasin (1995, p.1) management is vulnerable to public criticism and exposure. Most business activities have an impact, be it positive or negative, on the general society, and it is often the management of the organisation that comes under the public eye. Ulrich and Sarasin (1995, p.2) suggest that companies of today are ‘quasi-public institutions’ and therefore must be aware of the interests and desires of the public, and must operate accordingly.

Due to the exposure of an organisation’s conduct and the activities of management, through various communication mediums to the public, it is vital that public relations practitioners become part of the dominant coalition. Unless the organisation becomes aware of the interests of the public and takes them into consideration, consumers will remain sceptical of business morality and conduct. Satisfying the expectations of an organisation’s target public, the wider community and the environment must be included in the organisation’s culture and behaviour. This awareness and recognition can only be consistent with the fostering of a ‘social conscience’.

In alignment with achieving excellence Grunig (1992) identifies the following attributes; strong, participative cultures, strategic planning, social responsibility, a collaborative societal culture, and quality. These attributes play a significant role in

counteracting the negative effects of public scepticism. Unless organisations foster a 'social conscience' consumer confidence will not be maximised.

## CHAPTER SIX

### CONCEPTUALISATIONS OF THE SOCIAL CONSCIENCE

The notion of the 'social conscience' is not new to the practice of public relations or organisational behaviour, although the term may be. Organisations have been 'relating' to the 'public' for centuries but the notion of incorporating the public interest did not emerge until the 1970s when scholars began to study the impact of corporate social performance and corporate social responsibility (CSR) with concern for corporate image (Clarke, 2000, p.364).

In 1984, Hunt and Grunig established that organisations must act in an accountable and responsible manner in order to remain competitive within a globalizing economy. The *IABC Excellence Study* directed by Dr. James Grunig, and published in the early 1990s, examined the dynamic relationship between organisations and their publics, external and internal, identifying what attributes determine excellence in communication management. Although these attributes of excellence were initially proposed as the ideal practice for public relations professionals, the necessity for such ethical conductivity has been growing ever since.

Ulrich and Sarasin (1995, p.3) comment that "the public responsiveness of the business company and, as a result, its credibility and reputation have become a prerequisite for its long term success". Corporations have increasingly become public entities and are therefore subject to the criticism and scepticism of society. The adoption and encouragement of an accountable and socially conscious culture can provide the necessary criteria for the public to build trust in the management and conduct of large corporations.

Fostering a social conscience requires the recognition and incorporation of attributes such as trust, honesty, transparency, cooperation, accountability and recognition of public interests and concerns. Public scepticism of large corporations is a product of organisations acting without a social conscience.

In March 1989 the notion of honesty and being socially responsible came to light with the advent of the Exxon Valdez crisis. The oil tanker struck a reef in the Prince William Sound in Alaska, and an environmental disaster began. 11,000,000 gallons of crude oil leaked from the tanker's ruptured hull. Directors of the company delayed claiming accountability for the accident, and were seen to be doing 'too little too late' by the stunned public.

Graphic media coverage of the Exxon Valdez crisis aroused the awareness of the public in relation to the notion of social responsibility and social accountability in large organisations (Yeates, 2002, p.16). "In the Valdez situation, there was a disconnect - a vacuum that created confusion, mistrust, and a field day for other spokespersons" (Harrison & Prugh, cited in Baker, 1993, p.40). The Exxon Corporation also claimed in an address to the public that they were apologetic for the accident but did admit responsibility. The President of Exxon Corporation U.S.A., William Stevens, also commented that the company had been prompt in responding to the spill, although cleanup operations had not yet begun (Baker, 1993, p.43). Examples of both positive and negative organisational conduct, with regards to acting with a social conscience, will be further investigated in case studies at the conclusion of this research.

Since the 1980s there have been many more crises that have impacted on how the public view corporate behaviour (Yeates, 2002, p.17). The current growth of public scepticism is of major concern to public relations practitioners and must be central to both the management and the organisation's interests. In order for management to become aware of the importance of public attitudes, it is crucial for the public relations practitioner to be influential in the dominant coalition.

Attributes of a 'social conscience' can be defined in terms of the communication process, social answerability and the development of trust. These attributes also relate to performing excellent public relations as defined by Grunig (1992). Excellent public relations are not only crucial in restoring public trust, but also in maintaining market competitiveness. Wilson (1994, p.336) comments that increasingly "a full range of human, social, and environmental issues are affecting the ability of companies to succeed in the economic sphere". According to Teller corporations should project human values such as transparency, integrity and sensitivity (Teller, 2002, p.20).

## **Open Communication**

“First, organisations must be transparent in their conductivity. It is imperative that they operate with an open communication system, disseminating information in a prompt and honest way” (Yeates, 2002, p.17). Delays in communication to the public can lead to the creation of scepticism and doubt amongst target publics, especially in a time of crises. Open communication allows organisations to respond to the expectations of their publics by providing opportunity for feedback and suggestion. Open communication is essential to ensure that organisations are satisfying consumer demand and remaining informed about public interests and values. Grunig (1992) suggests that open communication should ideally be performed in a two-way symmetrical manner, as previously discussed. Symmetrical communication “takes place through dialogue, negotiation, listening and conflict management rather than through persuasion, manipulation, and the giving of orders” (Grunig, 1992, p.9). The once favoured ‘persuasion’ techniques need to be rectified to counteract the prevailing view that public relations is a tool of manipulation.

Sending a positive message is no longer enough to convince publics that an organisation is socially conscious. Publics need to be able to respond to these messages and have their interests acknowledged (Yeates, 2002, p.17). Two-way symmetrical communication allows for organisations to make adjustments to better satisfy their target public, and for the consumer to feel integral to the organisation’s decision making, recognising their opinions and their concerns and desires. From this information organisations will be able to determine how they are being publicly perceived and how they can modify their actions to deserve greater public trust (Paine, 2001, p.47).

## **Trust Through Relationship Building**

Trust and relationship building go hand-in-hand in restoring consumer confidence. The building of long-term relationships was discussed as early as the 1950s. In 1952 Cutlip and Center discussed public relations in terms of good relationship building with the public (Grunig & Hunt, 1984, p.42). In the 1990s the idea of trust and relationship building became increasingly popular and was proposed as an attribute of ‘excellence’ in the *IABC Excellence Study* (Lindeborg, 1994, p.6).

The erosion of public trust in large corporations is predominantly responsible for the rise in consumer scepticism. "Trust is an intangible asset" (Arbouw, 2002, p.4). Once trust is broken it is difficult to restore. Ferguson (1984), (cited in Grunig, 2000, p.75) stated that relationships between organisations and their consumers should be a central focus for public relations researchers.

To build loyal relationships organisations must accommodate each-other's interests, which requires a symmetrical communication process and the acknowledgement of social accountability. To establish a legitimate, trusting bond, Teller suggests that corporations must have human values such as integrity and sensitivity (Teller, 2002, p.20). Wilson (1994, p.334) comments that excellent companies "favour a more people-oriented, relational approach" and that management is turning to public relations to build relationships with corporation's target publics.

"High quality relationships only exist when the organisation acknowledges the legitimacy of the public, listens to its concerns, and deals with any negative consequences it may be having on that public" (Grunig, Grunig & Dozier, 2002, p.27).

### **Social Responsibility**

Being socially responsible is central to restoring consumer confidence. Having a 'social conscience' does not only refer to being open to public feedback, but also to be aware of consumer interests as well as community interests and the environment (Yeates, 2002, p.18). Public scepticism has arisen because of the irresponsible activities of corporations including "evading issues, disclaiming responsibility, exaggerating facts, or over promising results" (Baskin, Aronoff & Lattimore, 1997, p.419). Social responsibility means that organisations will not use their extensive power to influence publics or politics (Baskin, et al, 1997, p.98), but rather be a positive influence in the social and political arena.

The concept of corporate social responsibility (CSR) is defined by L'Etang (1996, p.84) in terms of two main applications; crisis management and community programmes. This research proposes that the notion of the social conscience should be applied continually in all aspects of the organisation as part of its organisational culture, and not just a strategy that is applied during a crisis.



Being socially responsible also includes being environmentally conscious, complying with equal opportunity employment laws and adopting ethical decision-making. "If an organisation with all its power and influence is to be trusted by society, it must address issues that concern society such as the environment and the stability of the economy" (Yeates, 2002, p.19). The Exxon Valdez tragedy is a stark reminder of how companies can act irresponsibly, having drastic consequences on the environment and on the company's credibility (Baker, 1993, p.39).

It is essential to separate the term 'social responsibility' from that of 'philanthropy'. Although the terms are sometimes used interchangeably they imply different philosophical meanings. Philanthropy implies a voluntary act conducted out of benevolence rather than obligation or expectation (L'Etang, 1996, p.85). In contrast being deemed 'socially responsible' implies specific obligations and expectations within a relationship. Lord Sheppard of Didgemere (1995, as cited in L'Etang, 1996, p.84) comments that the two terms imply contrasting meanings with diverse motivations...

"It is true that companies such as Cadbury and Rowntree were giving help to their local communities in Victorian times, but this help was the result of *individual* generosity... *Today's* good corporate citizen believes that involvement in the community is not something separate from business but an integral part of it. The motive for it is not altruism, but vision and common sense...companies are discovering that their reputation influences both their ability to sell and their ability to attract investment".

These concepts of philanthropy and altruism will be further examined to show both their differences and their motivations with regards to fostering a social conscience.

### **Credibility and Image**

Relationship building, trust, open communication and social accountability are all vital to the credibility and social image of an organisation. Irresponsible activity and loss of public confidence will destroy the credibility of an organization; perhaps despite its financial successes. Credibility is built through honest performance and open communication, leaving the company transparent to the public (Yeates, 2002, p.19).

Ind (1992, p.21) comments that the corporate image is in the eye of the receiver, that it is the “reception of the image that is the important factor”. The corporate image is the picture that is established through the accumulation of all received messages, and this may not be the image that the corporation desires. Corporations can not assume that they only communicate to the public when they want to through intended messages, and must be aware that both intentional and unintentional messages continually reach target audiences.

Creating a desired positive corporate image is a long term commitment which relies on the successful transmission of the correct message. In today’s society, the message and the behaviour of the corporation must be focused on portraying and fostering a social conscience in order for the organisation to portray a positive image. If both intentional and unintentional messages show that an organisation is acting in a socially conscious manner, then consumer confidence will be restored in the conductivity and interests of that corporation.

According to Ind (1992, p.31) consumers discriminate between one product and the competition based on emotion rather than rationale. It is the perception of the product and its manufacturer that drives the consumer’s decision to place confidence in that purchase. The consumer’s perception is built on quality, expectation and trust. This reinforces the concept that corporations must be concerned about public attitudes and growing consumer scepticism and subsequently react accordingly.

Possessing a ‘social conscience’ in organisational culture should be central to the mission and values of an organisation, the dominant coalition and the strategic development of the corporation. Corporations can significantly benefit from the nurturing and restoration of public trust. It is evident that consumers are more enthusiastic about supporting and investing in companies that possess good, socially responsible reputations (Teller, 2002, p.19).

## **CHAPTER SEVEN**

### **FOSTERING A SOCIAL CONSCIENCE**

Howard (2001) stipulates that in the 1970s it was concern for the environment that caused the public to be apprehensive of trusting large corporations. Then in the 1980s it was the energy sector that raised public concern and in the 1990s, the pursuit for human rights sparked public concern.

In current society, all of these issues are still of major concern to the public and therefore must be of priority and concern to corporations. Although there are those corporations that set high standards and endeavour to meet them, for example the Body Shop, there are also corporations that fail to be socially conscious (Howard, 2001, p.38). Marlin (as cited in Howard, 2001, p.39) comments that “enormous progress has been made, in attitude and in transparency. However, there are tremendous challenges still ahead”. This challenge is to restore public trust by counteracting public scepticism through the endorsement of the socially responsible and accountable nature of the social conscience.

Clark (2000) investigates the growth of corporate social responsibility in relation to corporate image. The rise of corporate social responsibility or CSR in the late 1970s and early 1980s coincided with an increased concern for a positive public image as well as the emergence of the field, issues management (L’Etang, 1996, p.85). As a result, corporations began to view the public as an important stakeholder (Clark, 2000, p. 363).

Public relations practitioners are involved in issues of corporate responsibility due to their “representational role and responsibility for managing relationships” (L’Etang, 1996, p.86). But in the late 1980s and 1990s there was no definitive strategy formed to continue the communication between the public and the organisation.

Similarities can be formed between the ideal of excellent public relations and the endorsement of corporate social responsibility. However, Clark (2000, p. 363) states that they are still both developing concepts which have not completely come into fruition.

When investigating the definition and research of the concept of corporate social responsibility it becomes apparent that the ideology of communication management is absent from the attributes of the concept. Fostering a social conscience incorporates more than just appearing to be concerned about issues such as the environment or human rights. The perceived external image of the corporation is only one of the attributes identified as contributing to an excellent organisation. Being socially conscious has far more internal and external implications that need to be identified.

Corporate social responsibility is primarily concerned with maintaining a good corporate image, but this amounts to nothing if the public are aware that the organisation, although appearing to be ethical, is not practicing in a socially conscious manner. Fostering a social conscience involves more than just protecting a good corporate image.

Fostering a social conscience requires for an organisation to embrace honesty and to be open in their process of communication, helping to build trusting relationships with their target publics and the public in general. In comparison, Clarke (2000, p.363) recognises that corporate social responsibility is not defined through the process of communication, and therefore fails to identify the importance of relationship building and trust. Being socially conscious also encompasses the need for identifying the concerns of the public through the process of boundary spanning and environmental scanning; these are concepts that are not recognised in corporate social responsibility.

Although acting in a socially conscious manner appears to be an activity intended to involve and benefit the public, it must also be of benefit to the corporation. Realistically, unless acting in a socially conscious manner was of benefit to the corporation, it would not be endorsed by any organisation or its dominant coalition. The reasons behind why a corporation should act in a socially conscious manner have been identified by L'Etang (1996).

## **CHAPTER EIGHT**

### **WHY FOSTER A SOCIAL CONSCIENCE?**

There are conflicting opinions as to why an organisation would invest both time and finances into fostering a social conscience. Gelb and Strawser (2001, p.1) comment that “companies have incentives to engage in stakeholder management by undertaking socially responsible activities”. It is important to note here that the target audience of companies does not, and should not, consist entirely of shareholders. Primary economics states that demand drives supply and therefore corporations are driven by the expectations of the shareholder. In the economic context this generally refers to increased profits through greater efficiency or lower expenditure but it can also be through lower consumer prices. In the public relations context this attitude can be seen as being in pursuit of short term outcomes rather than long term goals.

To look beyond the shareholder as the target public means to also consider the interests of the community. This socially conscious attitude may be more financially costly in the short term but will assist in the building of stronger, more loyal relations between all target publics, including the community, and the large corporations within the long term. This long term outcome may prove to be more financially beneficial for the corporation as it is more attractive to the target publics. Public relations professionals must initiate these long term objectives through educating the management of the potential benefits of positive client-consumer relationships.

The research of Grunig (1992) illustrates that one motivation behind practicing socially conscious business is to remain economically competitive through satisfying target publics and restoring consumer confidence. This is further investigated by L’Etang (1996) who identifies various conflicting reasons as to why organisations may or may not be willing to commit to behaving with a social conscience.

L’Etang (1996) investigates the relationship between public relations and corporate responsibility from a moral philosophical perspective. L’Etang (1996) questions whether organisations act in a socially conscious manner based on self interest, or whether they truly show concern for the public interest and therefore their actions are

based on an inherent sense of morality (L'Etang, 1996, p.82). This raises the issue of Utilitarian thought, based on the desire to create the greatest happiness for the greatest number.

Fostering a social conscience can be beneficial to an organisation in several ways. Expressing and practicing with regard for the concerns of the public and their interests, assists in building relationships and loyalty among consumers and shareholders, which in return financially benefits the company. But the motivation driving organisations to foster a social conscience does not necessarily have to be dependent upon financial outcomes. Being socially conscious does not guarantee that a company will be more financially competitive but when a corporation displays these attributes they may appear more attractive to potential clients or consumers.

It is also important to note that when experiencing a crisis, a socially conscious corporation who has worked at building and maintaining an honest and trusting relationship with its key stakeholders has a greater probability of retaining their support rather than losing their trust.

With this concept in mind, it is essential to realise that acting in a socially conscious manner requires for a corporation to invest finances into attributes such as better processes of communication, and conducting work activity with regard for the environment and the community. Some corporations may find this too great an effort and expense, despite other financial benefits, and disregard a socially conscious organisational culture regardless of its long term advantages. Some other corporations may not possess a public relations 'manager' and only employ public relations 'technicians', and therefore lack the advantages of external knowledge.

Although financially it may be more beneficial for corporations to foster a social conscience in a long term perspective, some organisations may act out of moral obligation rather than self interest and truly be concerned with assisting the community and the environment rather than purely financially benefiting the corporation. Endorsing a social conscious entails this altruistic attitude. L'Etang (1996) examines both of these incentives drawing on the ideologies of both individualism and mutual dependence.

L'Etang (1996, p.87) comments that Friedman presents a challenging view towards the idea of corporations being socially responsible. Friedman (as cited in L'Etang, 1996, p.87) argues that regulations and responsibilities of corporations should be limited. He suggests that corporations should have a limited commitment to society and therefore limits on being completely altruistic. Friedman believes that the only obligations that businesses have to society are purely economical and therefore should only be socially responsible in its profit making function. This view emphasises individualism and is ideally libertarian. Friedman believes that business is intrinsically ethical because it promotes free enterprise and freedom" (as cited in L'Etang, 1996, p.87).

In alignment with this Libertarian perception, Friedman also argues that corporations should not donate resources or finances to charities or communities as this turns corporations into instruments of public policy (L'Etang, 1996, p.87) and effectively they are neglecting their primary concern – shareholders. Friedman views acts of social responsibility as only being justifiable if motivated entirely out of self-interest and with the goal of promoting the corporation's own interests. This view does not incorporate concepts of moral obligation or desire to satisfy the public and their concerns. Friedman's views discourage the concept of relationship building and long term loyalty. Contemporary views such as the ideology of 'good corporate citizenship' and those of Grunig (1992) challenge this individualistic perspective.

"Debates about the relationship of the individual and the society...have been going on for more than 2000 years, but it's only in recent times we have begun to ask the same sort of questions about the relationship of business corporations to society. The realisation is growing that a *good* business is one which strikes the right balance between what it owes society and what it expects from it" (Lord Sheppard of Didgemere, 1995 as cited in L'Etang, 1996, p.88).

Corporate social responsibility encourages the building of strong relationships between corporations and their target publics. But whether corporations choose to adopt notions of corporate responsibility due to moral obligation or out of pure self-interest helps to determine their view of public interests and feedback. Definitions of what it means to 'do the right thing' are devoid from most definitions of corporate or social

responsibility, as they are concepts focused on image management rather than morality or obligation. A social conscience incorporates being socially responsible and issues of credibility but also entails acting as a good corporate citizen for mutual benefit, not just appearing to be one to increase profits.

“Corporate social responsibility has become important to public relations because such programmes offer the opportunity to build goodwill by promoting the benefits of the company to its stakeholders; corporate social responsibility delivers target audiences to those managing the corporate image” (L’Etang, 1996, p.91). From this point of view corporate social responsibility is an action undertaken to ensure that the public has a positive perception of a particular corporation and if a crisis may occur the relationship between the two will ensure its survival. This appears to be an action driven by self interest rather than mutual benefit.

Justifying corporate social responsibility through self-interest is considered as a Kantian approach whereby “corporate social responsibility is not a moral practice because it is wrongly motivated and because beneficiaries may be used as a means to an end of improving the company’s image” (L’Etang, 1996, p.92). In contrast corporate social responsibility may be justified on utilitarian grounds only if it demonstrates being of benefit to the donor, the recipient and the society in general, thus creating the greatest happiness for the greatest number.

Although L’Etang appears to view actions of corporate responsibility as essentially motivated by self interest, it is important here to outline that ideally being socially conscious involves an increased interaction between the public than that of corporate responsibility. Behaving in a socially conscious manner incorporates involving the public and its concerns into the culture of the organisation so as to build a communicative relationship based on trust and loyalty and to mutually benefit each other.

Although this does create a competitive edge and is economically beneficial to the corporation, it is also beneficial to the public because the public has a say in how the organisation operates. The corporation becomes dependent on the communication and trust of the target public. This concept is increasingly important because the public is



more knowledgeable in current society than ever before due to increased information mediums. The public is also more sceptical of corporate conduct due to increased incidents of corporate failure based on dishonesty and negligence. Being socially conscious is not just defined as appearing to be concerned about the public interest and maintaining a positive image, but actually practicing in a transparent and honest manner in which the communicated public concern and interests are a priority.

With this ideology in mind, endorsing a social conscious can be perceived as being a utilitarian act, as it aims to produce benefits for both the morally obligated corporation and its concerned stakeholders.

The importance of acting with concern for the public, the community and the environment is emphasised in the following case studies. An examination and comparison of the behaviour of corporations during the event of a crisis exemplifies the priorities of a corporation, producing examples of responses that have maintained and developed public trust and responses which have generated public scepticism and consumer distrust.

## CHAPTER NINE

### CASE STUDIES

#### Case Study One – Exxon Valdez

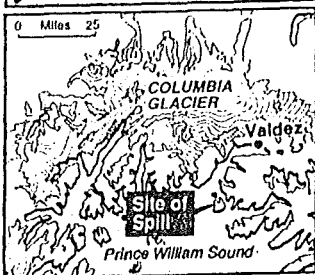
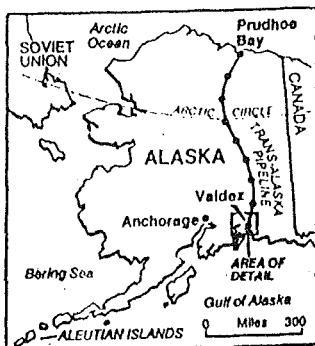
As previously discussed, one incident, which could be identified as an influential turning point in issues of consumer trust and corporate accountability, is the environmental disaster, the Exxon Valdez tragedy of March 24<sup>th</sup>, 1989.

“When oil tanker, Exxon Valdez struck Bligh Reef in Prince William Sound off the Alaska coast...it began a chain of circumstances that Exxon is still trying to cope with and, despite expenditures of over two billion dollars dealing with the cleanup alone, the prospect of millions of dollars in government fines if convicted, and the filing of hundreds of legal suits against it, Exxon has lost the battle of a favourable public image and is still struggling to regain its reputation”. (Small, 1991, p.9).

On the night of the environmental disaster Captain Joseph Hazelwood notified the Coast Guard at Valdez that the tanker was steering to the east to avoid ice. He then instructed third mate Gregory Cousins to steer the tank clear of the ice and to turn right at the Busby Island light. Captain Hazelwood then retired to his cabin. Cousins made the turn approximately five minutes after passing the light, the ship hit a submerged rock and the disaster began. Ten hours later Captain Hazelwood was declared legally drunk by the National Transportation Safety Board, a charge which he was later found innocent.

Being such a large scale environmentally detrimental incident ensured that the public were immediately aware, via various forms of communication mediums including television and radio broadcast, of the tragedy and the implications that the Exxon Valdez oil spill had on the environment. **Figure 1.** as shown on page 40, was published the following morning of the environmental disaster.

## Largest U.S. Tanker Spill Spews 270,000 Barrels of Oil Off Alaska



The New York Times/March 25, 1989

### Exxon Vessel Hits Reef, Fouling Water That Is Rich in Marine Life

By PHILIP SHABECOFF

A tanker filled to capacity with crude oil ran aground and ruptured yesterday 25 miles from the southern end of the Trans Alaska Pipeline, spewing her cargo into water rich in marine life.

By evening the ship, the Exxon Valdez, had sent more than 270,000 barrels of oil into Prince William Sound, making this the largest tanker spill in United States history.

Opponents of further development of Arctic oilfields quickly seized on the spill as evidence of what they perceive as the environmental risks involved.

#### No Deaths or Injuries

By early evening the spill was about 5 miles long and 500 feet wide, said Petty Officer John Gonzales, a spokesman for the Coast Guard station at the port of Valdez, from which the Exxon Valdez departed late Thursday, bound for Long Beach, Calif., with her load of 1,260,000 barrels.

Petty Officer Gonzales said that the ship was still leaking late yesterday but that the rate of leakage had slowed. The Associated Press reported last night that the amount of oil spilled had reached 270,000 barrels, or about 38,500 tons.

Petty Officer Gonzales said no one had died or been injured in the accident. He said the Exxon Valdez had been maneuvering around icebergs when she ran aground on Bligh Reef, 25 miles south of the port, about 10:30 A.M. yesterday, Eastern standard time. Whether the maneuvering was the cause of the accident is under investigation, he said.

#### Another Ship to Rescue

Another tanker, the Exxon Baton Rouge, bound for Valdez, has been diverted to the distressed ship and will try to take on some of her oil, said a spokesman for the Exxon Company, which operates both vessels. Once some of the oil is removed, an effort will be made to float the Exxon Valdez.

Comdr. Stephen McCall, the Coast Guard commander in Valdez, closed

Continued on Page 42, Column 1

**Figure 1.** This article titled "Largest U.S. Tanker Spill Spews 270,000 Barrels of Oil Off Alaska" featured on the cover page of *The New York Times* on 25 March 1989, one day after the accident.

11,000,000 gallons of crude oil spilt into the Sound with almost 1100 miles of the Alaskan shoreline contaminated. "Exxon claimed to have treated most of it, the state of Alaska saying almost a thousand miles needed more cleaning" (Small, 1991, p.10). An estimated 2,602,000 gallons of oil was recovered with the remainder destroying wildlife and the environment.

One week after the spill, on the 31<sup>st</sup> March 1982, the Exxon Chairman and Chief Executive Lawrence Rawl emerged to comment publicly. The *Wall Street Journal* reported that Rawl "the U.S. Coast Guard and Alaskan officials were to blame for the hold up in efforts to clean up the spill" (as cited in Small, 1991, p.11).

The length of time and the negligent way in which the Exxon Corporation responded to the incident destroyed the trust between the public and the company. The irresponsible reaction of the company portrayed a very public and obvious disregard for the concerns of the public as well as the environment. Newspapers and other media mediums worldwide had headlines filled with damning comments and negative images of the spill and the Company's reaction. Figure 2. on page 42 is one such example of the articles claiming the response of the Exxon Corporation as being inadequate.

When Exxon finally released an "open letter to the public" stating their involvement in the environmental cleanup, the company still did not take responsibility for the accident. Furthermore their claims of moving swiftly and competently to minimise the damage of the spill on the environment were contradicted by the public knowledge that within the first three days little was done to contain the spill and beach cleanups had not yet started (Baker, 1993, p.42).

Furthermore, in late July of that year Valdez General Manager Otto Harrison stated in a memorandum to company managers that "Exxon will demobilise when it chooses, for safety reasons no winter operations occur, and there would be no commitments for future activity other than a survey of oil contaminated shores in the Spring of 1990" (Small, 1991, p.14). Harrison added to this memorandum stating that these decisions were not negotiable nor was Valdez willing to discuss them.

## Alaska Aide Assails Oil Industry For 'Inadequate' Response to Spill

### 3 of Tanker Crew Are Given Blood Alcohol Tests

By RICHARD MAUER  
Special to The New York Times

VALDEZ, Alaska, March 25 — Alaska's top environmental official assailed the oil industry today for what he called a slow response to the vast oil spill Friday in Prince William Sound.

"The initial response was inadequate and didn't match the planned, outlined response measures to be taken in a spill," said Dennis Kelso, Commissioner of the Alaska Department of Environmental Conservation. "As of 24 hours into the spill, we still haven't seen adequate containment."

Already, Mr. Kelso said, dying sea birds have been seen.

As of this evening, the spill, which spewed from the grounded tanker Exxon Valdez and is the largest ever from a tanker in North American waters, had created a slick of almost 50 square miles. But the Coast Guard said that so far the slick had touched land on only two of the numerous islands that dot the sound.

Frank Iarossi, president of the Exxon Shipping Company, said Exxon accepted full financial responsibility for the damage.

#### Blood Tests Administered

At a news conference this afternoon, the Coast Guard announced that the blood of the captain, the third mate and the helmsman were tested for alcohol.

Comdr. Ed Wieliczekiewicz, public affairs officer for the Coast Guard in Alaska, said he did not know when the tests would be completed or whether one of the three men was piloting the ship at the time of the accident. He said blood alcohol tests are mandatory in such accidents.

He also said the Coast Guard had subpoenaed the captain and will subpoena two crew members he did not identify, requiring them to remain available to National Transportation and Safety Board investigators, who are expected to arrive Sunday.

The Exxon Valdez struck a rocky reef about 25 miles from this south



Associated Press

A duck, covered with oil, found in the slick in Prince William Sound.

Continued on Page 22, Column 1

**Figure 2.** Featured in *The New York Times* on 26 March 1989, this article depicts the predominant attitude of the public towards the Exxon Corporation's poor response.

Consequently, public protests commenced across Alaska and America, with Vice President of America Dan Quayle announcing that Exxon must return to the contaminated area.

“No longer would people blindly believe promises from corporations that their operations were completely safe” (Lundberg, 1999). The Exxon Valdez incident generated public distrust in large corporations and for their priorities. The irresponsible actions of the Exxon Corporation not only sparked consumer concern for the actions and morality of large corporations but also cost the company its credible reputation and its economic advantage. Consumers rapidly lost trust in the company and accordingly the Exxon Corporation lost its competitive edge. This was a direct result of its delayed and dishonest response to an incident which they were undeniably accountable for.

Critics of the slow response of the Exxon Corporation and in particularly its Chairman and CEO, Lawrence Rawl (Baker, 1993, p.39) comment that the Exxon Valdez disaster is a classic case study of what can go wrong when attributes of excellent communication are ignored or under-utilised. If the situation had been dealt with rapidly and the public had been informed by a credible, high status representative of Exxon who assured that positive action was going ahead and full responsibility had been taken then the incident could have resulted in positive outcome.

However, failure to react or to show concern or commitment resulted in a loss of trust and credibility. A majority of this outcome was solely based on the fact that despite the magnitude of the incident, members of the top management of Exxon Valdez, failed to inject themselves into the situation or make any public appearances. “Rawl’s failure to do this left the impression that the problem just wasn’t big enough for top management to get involved” (Baker, 1993, p.41).

*The New York Times* (21 April 1989 as cited in Small, 1991, p.18) commented that “the Exxon Valdez episode will become a textbook example of what not to do when an unexpected crisis thrusts a company into the limelight” and the “biggest mistake was that Exxon’s chairman, Lawrence G. Rawl, sent a succession of lower ranking executives to Alaska to deal with the spill instead of going there himself and taking control of the situation in a forceful, highly visible way”. **Figure 3.** on page 45 features

the article in which these comments appeared tilted "Exxon's Public Relations Problem", as featured in *The New York Times* on 21 April 1989, remarking that the Exxon Corporation's reputation was bound to suffer due to its failure to perform good public relations.

*Fortune* magazine (19 June 1989 as cited in Small, 1991, p.20) wrote that "Rawl's inability to consider his situation from the public's point of view led to much folly. At first he seemed to be hiding from the press".

If the Exxon Corporation had fostered attributes of communications excellence including concerns for social responsibility and a social conscience, the outcome of this incident would have been dramatically different. Characteristics such as honesty and accountability fostered within the dominant coalition of the company could have saved Exxon from losing both public trust and accordingly financial competitiveness. The inclusion of a public relations professional within the dominant coalition of the company would have ensured that top management was aware of the potential outcomes of such an incident and how it could have best been handled.

# Business Day

The New York Times

## Exxon's Public-Relations Problem

Experts See Failings  
In Handling of Spill

By JOHN HOLUSHA

The Exxon Corporation's reputation was bound to suffer after the Exxon Valdez ran aground off Alaska and dumped 250,000 barrels of oil into Prince William Sound. But experts in public relations say that Exxon seriously worsened the damage to its public standing by failing to seize control of developments after the spill and establish itself as a company concerned about the problems it had caused.

Over the last decade, business has painfully developed some clear rules of thumb on "crisis management," or how companies should handle a sudden, unexpected episode like the tainting of Tylenol capsules made by Johnson & Johnson or the rupture of an Ashland Oil storage tank that spilled oil into the Monongahela River near Pittsburgh. A company must not only deal with the emergency but also do so with the entire nation, if not the entire world, looking on.

Exxon violated some cardinal rules of crisis management, practitioners of this new specialty say. They predict that the Exxon Valdez episode will become a textbook example of what not to do when an unexpected crisis thrusts a company into the limelight.

To be sure, Exxon's biggest problem remains that the tanker ran aground, and that efforts to stem the flow of oil into the sea and then contain the spread of the spill were very slow. Beyond that are accusations that the tanker's captain might have



The New York Times/Jack Manning

Lawrence G. Rawl, Exxon's chairman, at a news conference this week on the Alaska oil spill. Experts in public relations say he did not move quickly or forcefully enough in addressing the crisis.

been drinking before the accident.

But how Exxon responded afterward has heightened the criticism of the company, the nation's third largest by sales, behind only General Motors and Ford. Many people predict that the entire oil industry will pay the price in the dashing of any hope of winning Government permission to explore for oil reserves in the Arctic National Wildlife Reserve. That possibility now seems much less likely in the near future, given the public outcry over the spill.

The crisis-management experts say Exxon failed to follow several well-established procedures:

1 The biggest mistake was that

Exxon's chairman, Lawrence G. Rawl, sent a succession of lower-ranking executives to Alaska to deal with the spill instead of going there himself and taking control of the situation in a forceful, highly visible way. This gave the impression that the company regarded the pollution problem as not important enough to involve top management. In contrast, Ashland Oil's chairman, John R. Hall, went to the scene of the Ashland spill last year and took charge.

4 Exxon decided to concentrate its news briefings in Valdez, a remote

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**Figure 3.** This article featured in *The New York Times* on 21 April 1989, commenting that Exxon Corporation's reputation was bound to suffer as a result of its failure to accept responsibility for the spill.



## Case Study Two – Enron Corporation Collapse

Similarly, the recent public collapse of energy corporation Enron, which has been described as the biggest corporate collapse in U.S history (Arbouw, 2002, p.4), has hastened the decline in consumer trust. Arbouw (2002, p.4) comments that the magnitude of the Enron scandal has;

“nothing to do with the amount of money involved, allegations that the highest levels of government received monetary rewards, or that a reputable accounting firm put money before good judgement. It has to do with credibility and trust”.

In the case of the sudden collapse of the Enron Corporation it was purely a result of dishonest conduct, misinforming the public and the target audience and manufacturing economic credibility and stability.

Lordan (2002, p.22) comments that the collapse of the Enron Corporation was initially an accounting scandal but soon became a public relations debacle. It was not a public relations “error” that caused the company to collapse but because the public relations department of the organisation was not included in the decision making processes of management, the company’s downfall could not be foreseen. “Public relations should be integrated into the strategic decision-making process in an organisation, not exclusively as a reaction to events inside and outside the company” (Lordan, 2002, p.22).

*Business Week* (12 November 2001) comments that “executives at high-flying Enron Corp. never seemed overly concerned with how the rest of the world viewed their business practices”. Managements disregard for public interests and public perception showed a lack of involvement of public relations professionals within the decision making process. The company could not act with the best interests of the public in consideration or endorse a social conscience with this attitude. Unless management was aware of the public’s attitude then it could not build a loyal and trusting relationship between the public and the company.

According to Lordan (2002, p.22) the Enron Corporation had built a public image portraying financial innovation and success but when the company began to collapse this image soon revealed a negative and concerning public perception. Good public relations would have detected such an external perception and action would have been undertaken to rectify the situation.

This negative public attitude towards Enron was further amplified by the response of management to employ legal assistance at its time of collapse rather than use excellent public relations to respond to the public and the media.

Lordan (2002, p.22) states that as a result of legal assistance the company responded to the crisis by pleading the fifth amendment and giving "No Comment" to the media. This reaction only reinforced the already negative public perceptions of the company giving the impression of dishonesty and misconduct.

Lordan (2002, p.22) comments that the attitude of the employees of Enron towards the company were similar to those external to the company. The Enron work environment was described as cut throat and competitive (as cited in Lordan, 2002, p.22). When the company collapsed, instead of working together as a team and building company morale, as expected in a company with a well established corporate culture, employees of the Enron Corporation simply left without regret. If excellent public relations were endorsed within the company then such a result would not occur due to knowledge of internal perceptions and strategies to built good, loyal relationships would have already been implemented.

The credibility of the Enron Corporation was primarily built on good financial contributions and increasing stock prices rather than consumer loyalty, trust and honesty. When the company collapsed it was the lack of these attributes that gave increased momentum to its fall. Public relations professionals "can help reduce the size and possibility of such crises by advocating a proactive public relations approach based on consistent messages, close monitoring of all relevant publics, and, most of all, ethical behaviour" (Lordan, 2002, p.22).

### Case Study Three – Tylenol Crisis

In contrast is the case study of the Tylenol extortion incident, which depicts how organisations can retain consumer trust and credibility regardless of a crisis through the fostering of a social conscience. Johnson & Johnson suffered from an extortion crisis which saw seven people killed and 2500 casualties from Extra Strength Tylenol capsules being laced with cyanide in Chicago in 1982 (Ulrich & Sarasin, 1995, p.143). **Figure 4.** on page 49 and **Figure 5.** on page 50 shows articles from *The New York Times* that were published at the beginning of the poison scandal.

The series of deaths began on 30 September in 1982, with the cause quickly being traced to Tylenol capsules containing cyanide. Due to the fact that the two part capsules could easily be opened and reclosed, it was difficult to determine the point at which the product had been tampered with and how many packets had been affected. As a consequence, neither Johnson & Johnson nor the McNeil Consumer Products Company was found officially responsible for the incident.

Despite this finding, and within a week of the deaths, Johnson & Johnson recalled all of the Tylenol capsules on a nationwide basis from both retailers and consumers at a cost of approximately \$100 million (Bianco, 1993, p.1147) and with a market decline of 87 percent. **Figure 6.** on page 50 shows an article from *The New York Times* on 6 October 1982, depicting the recall of all Tylenol extra-strength capsules.

The public relations departments of Johnson & Johnson and McNeil gave full cooperation to the media with every bit of information given in response to the nations queries (Bianco, 1993, p.1147). In addition the CEO and Board Chairman James Burke issued a letter of condolence to the family member or spouse of the victims of the poisoning.

In a one-hour satellite press conference Johnson & Johnson's James Burke addressed a media audience of over thirty cities (Bianco, 1993, p. 1147) thanking the media for its cooperation and vowing to rebuild the Tylenol business. Burke also announced that all Tylenol products had been recalled and that new tamper resistant packages would soon be available, with consumers being able to obtain replacement packages for free.

# 5 Die After Taking Tylenol Believed to Contain Cyanide

ARLINGTON HEIGHTS, Ill., Sept. 30 (AP) — Five persons in Chicago suburbs died after swallowing capsules of Extra-Strength Tylenol, and cyanide poisoning was known or strongly suspected to be the cause, the authorities said today.

The manufacturer recalled nearly 4.7 million of the capsules, and the authorities said the case was being investigated as "possible homicide."

The recalled Extra-Strength Tylenol was from lot MC2880. The lot number appears on the upper left-hand corner of the bottle label. The capsules were distributed in August in all states east of the Mississippi and in North Dakota, South Dakota, Nebraska and part of Wyoming.

In the New York metropolitan area, officials of New Jersey and Connecticut agreed with the caution issued by the New York State Commissioner of Health, Dr. David Axelrod. He advised people who had Tylenol capsules "to refrain from using them until the issue is clarified."

## 2 Brothers Among Dead

The case began Wednesday with the deaths of two brothers in suburban Arlington Heights and of a 12-year-old girl in nearby Elk Grove Village. The wife of one of the brothers was hospitalized in extremely critical condition after taking a capsule of Extra-Strength Tylenol, which is the country's leading seller among brand-name nonprescription pain reliever.

In nearby Downers Grove, Mary McFarland, 31, of Elmhurst, was dead on arrival today at Good Samaritan Hospital after she took the medication. She had collapsed at work after taking Extra-Strength Tylenol and a pathologist's test found cyanide in her blood.

To the southwest in the suburb of Winfield, a spokesman at Central DuPage Hospital said Mary Reiner, 27, who had taken Extra-Strength Tylenol, died this morning of symptoms resembling cyanide poisoning. Lab tests were incomplete, but the bottle had other cyanide-laced capsules.

The Cook County Medical Examiner's office said the two poisoned bottles blamed for the deaths in Arlington Heights and Elk Grove Village had been purchased at two separate stores.

that the capsules "had been pried open and placed back together."

"We believe it occurred after it left the manufacturer," Mr. Foster said. "We believe it happened somewhere in the distribution or at the point of sale."

He said some of the medication is distributed directly to stores and some through wholesalers. He said the company's sales and marketing employees in each region of the country affected were going to stores to pick up the recalled bottles.

On the New York Stock Exchange today, Johnson & Johnson stock dropped \$3 to \$43.125 and was the volume leader in trading.

Two drug chains, Jewel Food-Osco Drugs and Walgreens, announced an immediate halt in sales of Extra-Strength Tylenol in their stores in the Middle West.

A spokesman for the Food and Drug Administration, Faye Peterson, said in Washington that investigators had been sent to the Pennsylvania plant that makes Tylenol.

"It is impossible to tell when the tampering occurred," said Dr. Michael Schaffer, chief toxicologist with the Cook County Medical Examiner's office. "We tested three capsules from each container of 50, and one of the three from each contained cyanide."

The Police Chief of Arlington Heights, Rodney L. Kath, said his investigation was pointing to contamination of individual bottles of Tylenol rather than whole batches.

The investigation began Wednesday after the death of the 12-year-old, Mary Kellerman, who had been taking Extra-Strength Tylenol because of a cold. She was found unconscious in her home and died after being taken to a hospital in Elk Grove Village.

The brothers who died were identified by Northwest Community Hospital in Arlington Heights as Adam Janus, 27, and Stanley Janus, 25. Stanley's wife, Theresa, 19, suffered cardio-pulmonary collapse and was unconscious.

Dr. Thomas S. Kim, chief of critical care at Northwest Memorial Hospital, said Adam Janus had apparently taken Tylenol for "mild chest pains and neck pains." He collapsed at his home, and paramedics who arrived there found that his pupils were fixed and dilated, indicating that he was dead.

The authorities said the cyanide was probably introduced sometime after the capsules left the plant in Fort Washington, Pa., where they are manufactured by McNeil Consumer Products Company. Cyanide, one of the deadliest toxins known, is not used in production of the medication.

Robert Kniffen, a spokesman for McNeil Consumer Products Company, the manufacturer of Tylenol in Fort Washington, Pa., said the company had been notified that two bottles "have been tampered with and cyanide poison added to some of the capsules."

Mr. Kniffen said no product from lot MC2880 should be bought or consumed until further notice, adding that the company had no evidence that any other product was contaminated. He said the lot consisted of 93,400 bottles of 50 capsules each.

Barry Lifschultz, Cook County's deputy medical examiner, said his office was "treating this as a possible homicide, as if they were intentional contaminations."

Lawrence G. Foster, a spokesman for Johnson & Johnson, the New Brunswick, N.J., company that owns McNeil Consumer Products, said he had heard from the Medical Examiner in Illinois

## Took Pills After Brother Died

Stanley Janus and his wife accompanied Adam Janus to the hospital and then returned to Adam's house before the cause of his death had been determined. They then apparently took Extra-Strength Tylenol "for a headache or some other reason," Dr. Kim said.

Extra-Strength Tylenol accounts for 20 percent of the \$1.2 billion United States market for analgesic brands, according to Advertising Age, a trade magazine. All types of Tylenol, including children's versions and liquid forms, make up about a third of the pain reliever market, the magazine says.

Cyanide is so toxic that only a small amount can kill, said Dr. Richard Weisman, director of the Poison Control Center at the New York City Department of Health. It kills by interfering with the blood's ability to carry oxygen through the body, he said, and an antidote must be given at a hospital within 15 minutes to an hour.

The first symptoms of cyanide poisoning, he said, can occur within minutes and include headache, dizziness, confusion and agitation.

Figure 4. Featured in *The New York Times* on 1 October 1982, this article bought news of the first Tylenol poisonings.

# Poison Deaths Bring U.S. Warning on Tylenol Use

By ROBERT D. McFADDEN

The Food and Drug Administration warned consumers throughout the country yesterday to stop using Extra-Strength Tylenol capsules until investigators could trace the source of cyanide-tainted capsules that have killed seven persons in the Chicago area since Wednesday.

The latest apparent victim, a 35-year-old flight attendant, was found dead in her Chicago apartment late last night. All seven were residents of the Chicago area.

A second batch of cyanide-contaminated Extra-Strength Tylenol capsules was found in the Chicago area yesterday

and the manufacturer, the McNeil Consumer Products division of Johnson & Johnson, expanded its recall to include more than 264,000 bottles of 50 capsules each.

The recall, one of the largest ever ordered in the pharmaceutical industry, involved all bottles of Extra-Strength Tylenol capsules from throughout the nation with the lot numbers MC2880 and 1910MD, which were linked to the deaths, and all bottles of Extra-Strength Tylenol capsules of any lot number from throughout the Chicago area.

Last night, The Associated Press reported, Mayor Jane Byrne of Chicago

said a bottle of Extra-Strength Tylenol capsules was found in the bathroom of the seventh apparent victim of the poisonings, identified as Paula Prince. The Mayor said the bottle bore the lot number 1800MA, which had not been listed by the company among the known contaminated lots. The police said the bottle in Miss Prince's bathroom was a 24-count bottle, unlike the 50-count bottles implicated in the other deaths. Cyanide was found in some of the remaining capsules, the police said.

## Manufacturer Offers Reward

Johnson & Johnson offered a \$100,000 reward last night for information leading to the arrest and conviction of the "person or persons responsible for the murders." Those with information were asked to call the Illinois Department of Law Enforcement at (312) 827-9770. The company also set up a special number, (900) 210-3000, to respond to the questions of consumers.

Figure 5. News of the first poisonings continued. Front page of *The New York Times* 1 October 1982.

## Tylenol Maker Recalls Capsules After Strychnine Incident in West

### Production Is Stopped After New Tampering Sickens Californian

By ANDREW H. MALCOLM

Special to The New York Times

CHICAGO, Oct. 5 — The manufacturer of Tylenol today announced a nationwide recall of all Tylenol capsules, Regular and Extra-Strength, and said it was halting production of the capsules since a California man was stricken after taking Tylenol capsules laced with strychnine.

Officials said there appeared to be no direct connection between the incident in Oroville, Calif., involving a man who has recovered, and the seven deaths last week in the Chicago area from Tylenol capsules contaminated with a different poison, cyanide. The California man reportedly said he had bought the capsules well before the poisonings in the Chicago area became known. Tylenol tablets, which are more difficult to tamper with than the capsules, are not considered suspect.

In Chicago a Federal, state and local law-enforcement team continued its methodical hunt for a suspect, described as a "madman" and "random killer," who the authorities say removed the Tylenol powder and substituted cyanide crystals, killing four women, a girl and two men.

### No New Leads Reported

Attorney General Tyrone Fahner of Illinois, who is heading the team, said today that there were no new leads and that despite the California incident, the more than 100 agents he was supervising continued to focus on the cyanide killings.

The police were encouraging people to call the team's information line, (312) 827-9770, with any information they might have.

"We see no link," Mr. Fahner said at an outdoor news conference tonight, speaking of the California poisoning.

The Attorney General did disclose that his team had been in contact with the Securities and Exchange Commis-

Continued on Page A24, Column 1

Figure 6. Tylenol recalls the capsules only one week after the first poisonings. *The New York Times* 6 October 1982.

In response to this conference five of the thirty cities were able to send in questions for answering.

Attendees of the media conference received a media kit with more being mailed to consumer magazines, professional publications and other media for consumer information. Tylenol also issued "The Tylenol Comeback" pack to ensure Johnson & Johnson's entire target audience had been reached and informed (Bianco, 1993, p.1158)

Johnson & Johnson successfully weathered the crisis through the endorsement of ethical principles and masterful, professional public relations conduct (Baker, 1993, p.54). The adopted ethical principles stemmed from the Johnson & Johnson Credo developed by the founder in the late 1940s, and expressed that "the corporation should be socially responsible, with responsibilities to society that went far beyond the usual sales and profit motives" (Baker, 1993, p.54). This is a concise example of what fostering a social conscience should entail.

When the extortion crisis unfolded, these ethical principles guided the actions of then Chairman of the Board and company CEO, James Burke. The corporate vice president of public relations at the time of the crisis commented that unless business recognised its responsibilities it could not be successful in the long term. In contrast to the delayed reactions of the Exxon Corporation top management, Johnson & Johnson responded immediately to the crisis by alerting both the public and the medical community. Simultaneously, Tylenol capsules were withdrawn from the national marketplace, not just the Chicago area and information was disseminated via press, radio and television in a fast and extensive manner (Baker, 1993, p.56). "From the day the deaths were linked to the poisoned Tylenol... Johnson & Johnson has succeeded in portraying itself to the public as a company willing to do what's right regardless of cost" (*The Washington Post* as cited in Baker, 1993, p.57). **Figure 7.** on page 52 from *The New York Times* 8 October 1982, depicts the public relations challenge that Tylenol faced and conquered.

Not only did Tylenol handle the situation with honesty, transparency and efficiency in the dissemination of information but it also devised a new triple-safety-seal for its Tylenol capsule products to ensure tamper-resistance. Five months after the incident,



The New York Times

Problem products, like Tylenol, have included Bon Vivant Vichysoise, the DC-10 and Ford Pinto. George A. Spater, left, American Airlines president, and James S. McDonnell, McDonnell Douglas chairman, are shown with DC-10.

## Long, Uphill Odds for Tylenol

### Its Prospects Termed Dim

By N.R. KLEINFELD

It is a challenge marketing people hope they never have to face — restoring the image of a product linked in the public mind with death.

But that is the sizable — and some say hopeless — task that now confronts the marketing team for Tylenol, the nonprescription drug that was the nation's biggest-selling over-the-counter pain reliever. Indeed, Tylenol's past marketing efforts have been so successful that it commanded a market share estimated at 37 percent.

But now, of course, the drug's

image has been devastated by the tracing of seven deaths to cyanide-laced Extra-Strength Tylenol capsules. The deaths touched off a nationwide recall of capsule forms of the drug by its manufacturer, McNeil Consumer Products, a division of Johnson & Johnson.

Investigators have largely absolved McNeil of any blame, and Tylenol in tablet and liquid form continues to be sold in drugstores.

Nevertheless, a brand name that was systematically built up as a pain reliever at a cost of many millions of dollars has taken on an entirely new — and deadly — meaning in the language. Although Johnson & Johnson executives insist that they have no plans to scrap the Tylenol name, marketing experts concur that, at best, it will take months to alter the new perception. And some feel the new perception can never be changed.

"A flat prediction I'll make is that

you will not see the name Tylenol in any form within a year," said Jerry Della Femina, chairman of the ad agency Della Femina Travisano Partners. "I don't think they can ever sell another product under that name. There may be an advertising person who thinks he can solve this, and if they find him I want to hire him, because then I want him to turn our water cooler into a wine cooler."

The immediate classic marketing response to extreme adverse publicity is to cancel all advertising, which is what McNeil did last Friday.

"The only thing to do is to withhold advertising and reduce public awareness," said Benjamin Lipstein, a marketing professor at the N.Y.U. Graduate School of Business. "If they could hide under a rock for a while and hope it goes away, they would."

McNeil would not discuss future

Continued on Page D4

**Figure 7.** Featured in *The New York Times* 8 October 1982, this article depicts the massive public relations challenge that Tylenol faced after the poisonings.

Johnson & Johnson managed to recapture 70 percent of its previously held market and 100 percent within a year (Baker, 1993, p.57).

A repeat poisoning disaster occurred in 1986 which claimed the life of one person. Again Johnson & Johnson responded quickly and transparently, removing all forms of capsule Tylenol from the market place claiming that they could no longer guarantee the safety of the product and therefore ceased the production of capsules. Despite massive financial losses the corporation survived on the goodwill and trust that it had developed with its public and again within five months the company came back.

Ulrich and Sarasin (1995, p.144) comment that within a major crisis like this a “perceived mismanagement of the aftermath, and the failure to communicate effectively during and after the crisis, can destroy a reputation built during many years, in a matter of days, even hours”. The carefully nurtured and maintained confidence and goodwill relationship between the consumer and Johnson & Johnson as well as the obvious concern of the company for the public’s safety enabled Johnson & Johnson to survive the crisis. The social conscience of the corporation ensured that the public was well informed and the company remained honest and cooperative throughout the crisis.

From both of these examples it is apparent that to successfully counteract consumer distrust and establish consumer confidence, management plays an integral role. These examples illustrate why it is important that public relations professionals are part of the dominant coalition to ensure that they are in the position to inform management of the best course of action for the company to take to recognise the interests of the public and guarantee the company is conducting itself with honesty and transparency through endorsing a social conscience. In a time of crisis the top management needs to present to the public a picture of honesty, sincerity and true concern (Black, 1995, p.161). It is the public relations professional who can ensure that this happens through boundary spanning, environmental scanning and education.



## Case Study Four – Herron Paracetamol Recall

In Australia on the evening of the 16<sup>th</sup> March 2000, Herron Paracetamol received information that two people were in hospital with poisoning from Strychnine found in Herron Paracetamol capsules. As a consequence Herron CEO Euan Murdoch called for an immediate recall of Herron paracetamol capsules, tablets and tabsules Australia-wide (The Rowland Company “Herron Paracetamol Recall” as cited in PRN 3108 Course Reader, 2003, p.1). **Figure 8.** on page 55 shows an article from *The Australian* 17 March 200, with the news of the extortion case.

Faced with numerous considerations and complications the public relations activity began as an immediate response to the recall. A Call Centre was immediately contacted once the recall decision had been made with a consumer hotline number confirmed on the news that evening along with notification of the recall. In addition retailers were informed of the recall and Herron paracetamol products were taken off the shelves.

On March 17<sup>th</sup>, only one day after the announcement of the poisoning the CEO, Euan Murdoch held a joint press conference with police, explaining extortion letters Herron had previously received and what the company was doing to protect consumers. On March 18<sup>th</sup> the Queensland Premier and Acting Police Minister announced their support for Herron as a victim of extortion and officially cleared them of responsibility.

Between March 20<sup>th</sup> and April 4<sup>th</sup> media releases and ‘Letters to the Editor’ were issued to keep the public continually informed and aware. On April 4<sup>th</sup>, the Taskforce which consisted of Herron, Police, Health Department and the TGA, announced that packaging changes were planned (The Rowland Company “Herron Paracetamol Recall” as cited in PRN3108 Course Reader, 2003, p.4).

Due to Herron being located in Queensland, the Taskforce faced the problem of maintaining contact with the other states of Australia to ensure that all target audiences were being reached. Although it had received high national media exposure at the time of the recall, it was now becoming a Queensland story. Herron had to match the amount of publicity occurring in Queensland with the other states.

# Extortionist poisons pills

SCOTT EMERSON  
MATT ROBBINS

A NATIONWIDE recall of Herron paracetamol products was ordered last night after a father and son were taken to hospital with strychnine poisoning in an apparent extortion attempt against the family run company.

Queensland police said demands for money had been made on the Brisbane-based company but they had not referred to any poisoning of Herron's products.

Police are urging people not to

consume any Herron products bought in the past month.

The two victims were last night in a stable condition in Brisbane's Wesley Hospital. A spokesman said they were expected to remain in hospital at least until next week.

The recall is potentially devastating for the company, established 12 years ago, which has been promoted by Hazel Hawke, ex-wife of former prime minister Bob Hawke.

Herron spokesman Garth McDonald said he hoped the company would be able to survive the contamination scare.

"One can only hope but it is a big blow to us," Mr McDonald said.

But our principal concern is

## Previous contamination scares

Sanitarium Health Food, June 29, 1998: Recall of 300,000 cartons of soy milk and fruit juice after extortion attempt, believed to be an attack on the owners of Sanitarium, the Seventh-Day Adventist Church. Estimated recall cost: \$3.2 million.

Arnotts, February 3, 1997: Six packages of poisoned Arnotts biscuits and demand

for the two people in hospital.

The victims, who have not been named, bought the contaminated capsules on Friday or Saturday from a Coles supermarket at Ken-



letters sent in NSW and Queensland protesting the innocence of convicted murderer Roland Thomas. A 69-year-old woman has been committed to stand trial

more, in Brisbane's western suburbs.

"They consumed the tablets on Saturday, and became suddenly ill and then were admitted to hospital."

for extortion. Estimated recall cost: \$10 million.

Nestle, May 21, 1997: Mark James Milton, former policeman and amateur novelist, admits he injected ant poison into two Nestle products and attempted to extort \$4 million to test a plot for his book. Milton was jailed in December 1997 for a minimum 2 1/2 years.

police spokesman Brian Swift said.

Police contacted Herron yesterday afternoon after being alerted by the hospital, which had diagnosed strychnine poisoning.

Herron then revealed to police that extortion threats had been made.

"It's almost definitely an extortion for money," Mr Swift said. "The demands have come in various forms over a protracted period of time."

Mr Swift said there was no evidence that the tampering with the paracetamol capsules was more widespread than had been detected, but a nationwide recall had been ordered as a precaution.

"The tablets come in tamper-evident packaging. People should check any tablets they have purchased in the past month and put them aside," he said. "Herron are recalling all their paracetamol tablets to reduce the risk to the public."

"The reassurance is that if they haven't fallen ill by now, they probably won't be because the symptoms are almost immediate."

Herron produces three types of paracetamol products — capsules, tablets, and 'tabsules', a capsule-shaped tablet.

Mr McDonald said the firm would destroy all the returned products. It would be unclear for weeks how much the recall would cost.

Penalties for contaminating or threatening to contaminate food or products were increased to 16 years' jail after the Arnotts extortion attempt in 1997.

A hotline has been set up for inquiries on the recall. 1800 77 11 33

**Figure 8.** News of the Herron Paracetamol extortion case and product recall is presented on the front page of *The Australian* 17 March 2000, only one day after the first incident.

The public also needed to be informed of the product changes and a launch was planned. By mid-May Herron was ready to go back to the market (The Rowland Company “Herron Paracetamol Relaunch” as cited in PRN 3108 Course Reader, 2003, p.1).

The Rowland Company arranged fifteen launches around the nation with high-profile personalities and politicians to represent the Herron product. The aim of the launch was to unveil the new packaging and announce the return of the product to the shelves. Media kits were provided to all attendees. A follow-on tamper-awareness campaign continued for two weeks after the launch, encouraging consumers to check products for signs of tampering and inform consumers of Herron’s new tamper evident packaging.

Similarly to the case study of the Tylenol poisoning, Herron remained honest, open and informative throughout the crisis. Consumers were immediately notified of the circumstances and efforts were made by the dominant coalition of the company to make quick decisions and relevant changes to the product to ensure that consumer confidence was restored and the company remained trustworthy and competitive.

Both Tylenol and Herron reacted in a responsible and concerned manner, ensuring that the public interests were considered and action was taken quickly. At all times the companies were transparent with open communication established between themselves and their target publics.

## CHAPTER TEN

### CONCLUSION: FUTURE IMPLICATIONS FOR PUBLIC RELATIONS

It is evident through the analysis of the case studies that public expectations need to be met by corporations. The future success of corporations is dependent upon how key stakeholders and the community view the corporation. In the comparison between positive and negative outcome case studies, the conclusion can be drawn that the future implications of public relations must be reconsidered.

Through the comparison of the case studies it can be determined that through honest, transparent and accountable activity, corporations can forge strong, trusting relationships with the public. These attributes, which are consistent with the fostering of a social conscience, must be endorsed by a corporation to benefit both itself and society. Neglecting to altruistically endorse these attributes within an organisational culture can only be instrumental in the growth of public scepticism.

Public trust in the profession of public relations has diminished along with public trust in large corporations. Corporate downfalls and cover-ups are no longer isolated incidents. Company directors acting out of self-interest, without the consideration of external expectations have, over time, damaged the public perception and public confidence in both public relations and the activities of corporations.

The profession of public relations is not commonly viewed in a positive light by the public. Generally public relations is viewed as a persuasive and deceptive method of influencing public attitudes to align with those of the respective corporation. With the continuing growth of public scepticism, it is evident within today's society that public opinion is not changing. Consequently, it is necessary to consider the future implications for public relations to create a positive change in public attitude.

The continuing socially irresponsible behaviour of large corporations is not helping the profession of public relations to gain greater public respect. In fact, the constant growth of consumer distrust poses greater challenges public relations professionals.

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This creates new implications for the future of public relations. Public relations practitioners are now forced to reconsider their role within large corporations in order to restore consumer trust both within their profession and within corporations. Public relations practitioners can no longer leave the strategic development and management of corporations in the hands of the dominant coalition.

To create a positive change and positively influence the organisational culture of a corporation, practitioners need to be a key component of the decision making process. Rather than just being responsible for disseminating the company message to key stakeholders, public relations practitioners must be an integral part of the development of key message to meet the expectations of the corporation's key stakeholders and other target audiences.

To become a key figure in the dominant coalition public relations professionals must educate the dominant coalition to make informed, responsible and accountable decisions. These decisions will determine how a corporation is viewed within the public sphere and within the eyes of their target audiences. Subsequently these decisions will also determine whether a corporation is viewed as being socially conscious.

As identified by Grunig (1992) being part of the management process is essential to the performance of excellent public relations. As communicators to the public it is crucial for public relations practitioners to act in an excellent manner. This means listening to, and acting upon, the interests of the target public, and periphery stakeholders, including the wider community and the environment.

Through the practice of excellent public relations, public relations professionals can change the negative public perception that surrounds large corporations. As identified within the case studies the endorsement of a social conscience has a positive influence and consequently produces positive results within corporations. These advantages must first be recognised internally before they can have an external influence. If socially conscious public relations are not recognised as being more than just financially beneficial to the company then it can not counteract public scepticism.

To encourage the growth of consumer trust corporations must foster a social conscience for altruistic reasons rather than just financial advantage. If corporations only adopt attributes of excellence for purely financial reasons then public distrust will only continue to increase. The endorsement of a social conscience must be driven by the notion that it is a mutually beneficial action by which the both the corporation and society receive positive outcomes.

Grunig comments that “excellent organisations manage with an eye on the effects of their decisions on society as well as on the organisation” (1992, p.240). A truly socially conscious corporation will benefit from increased financial benefits through the increased consumer trust but will not be primarily concerned with this outcome. Rather they will be equally concerned about the expectations and concerns of the public, including their key stakeholders, the community and the environment.

Today’s public relations practitioners must implement a socially conscious management strategy that is responsive to public concerns. This includes being socially responsible, restoring trust, nurturing strong relationships, being accountable and opening the lines of communication between management and the public through honesty and feedback. Public scepticism can only be challenged if its origins are recognised.

Public distrust of large corporations is not a new phenomenon, but it is reaching an all time high. The failure of organisations to recognise the interests and values of their strategic publics as well as wider society has become detrimental to the restoration of consumer confidence and to the public opinion of public relations.

Public scepticism will not cease to grow unless the attitude and behaviour of large corporation’s and their dominant coalitions’ change. With their knowledge and skills, public relations professionals are in the unique position to create this change and ultimately counteract the growth of consumer distrust. Public relations professionals are able to guide corporations to endorse and implement the utilitarian concept of the social conscience will make this change possible.

Public relations professionals must focus on being influential in the dominant coalition to shape an organisation's socially conscious culture, embracing honest, transparent and socially conscious principles to bridge the gap between organisations and their stakeholders.



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