



Universiteit Leiden

## **Reputation Management in a Crisis:**

**The influence of the adopted crisis response strategies on the reputation of private companies operating in the American food industry**

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## 1. Introduction

One of the most successful investors in the world, the chairman and CEO of the American multinational conglomerate holding company *Berkshire Hathaway Inc.* Warren Buffett has said: “It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you’ll do things differently” (Tuttle, 2010). This quote highlights how easy it is for corporations nowadays to tarnish their reputations, which have been built over long periods of time. With reputation serving as one of the most valuable intangible assets of companies nowadays, there is a major interest for companies to protect it and to repair it once the reputation has been damaged. It comes with no surprise that successful companies incorporate the protection of reputation in their asset integrity management (AIM) systems (CCPS, 2017).

An effective AIM system is not limited only to reduction of risk with regard to extended production outages that could result in lost market share, and employee injuries that could result in litigation. An effective AIM system also addresses such issues as negative publicity and adverse public reaction or perception. The main objective of an AIM system is to maintain asset integrity in order to avoid failures, especially, catastrophic failures (CCPS, 2017).

This thesis particularly focuses on the protection of reputation as an intangible asset once such catastrophic failures have occurred. Once a corporation finds itself in a crisis, it is forced to balance the competing interests of its stakeholders and shareholders. On the one hand, the corporation has a moral responsibility towards its customers, clients and communities, but on the other hand, there are the legal and fiduciary responsibilities towards its shareholders (Hearit, 2006). A key role in such a situation is played by the organization’s tactic in responding to the crisis, which has been seen as having a significant effect on the organization’s effort to survive its reputational damages (Ashari et al., 2017).

The objective of this thesis is examining the effect of the adopted crisis response strategies on the reputation of private companies operating in the American food industry. This industry generates approximately one trillion dollars a year in sales (“The American Food Processing Industry”, 2014). Exercising a high level of financial, political and cultural power in the United States of America, the food

industry is at the same time seen as being extremely sensitive to the public opinion. Besides such uncontrollable issues as drought and adverse weather conditions, various food producing companies in the USA have been significantly affected by issues of food safety, such as food-borne illnesses. As for example, the discovery of “mad cow” disease cost the US nearly 11 billion dollars in revenue of beef exports between 2004 and 2007 (Doering, 2008), while the discovery of E. coli bacteria contamination in spinach led to losses of millions of dollars in a few weeks time (“The American Food Processing Industry”, 2014).

While such a crisis itself can negatively affect the reputation of the company in crisis, it is argued in this thesis that it is also of a major importance to assess the effect of the crisis response strategies, which the company adopts in response to the crisis, on the reputation of the respective company. A crisis can therefore be seen as an opportunity. Via successfully managing the crisis a company might extricate itself from the crisis and repair its reputational damage, even becoming the leader of the industry (Hearit, 2006). Sloppy crisis management, on the other hand, threatens to aggravate the reputational damage (“Crisis Management and Communications”, 2007), which can eventually lead to the end of existence of the respective company. Taking into account the aforementioned considerations I put forward the following research question: **To what extent have the adopted crisis response strategies affected the reputation of private companies operating in the American food industry?**

### **1.1. Academic Relevance**

Over the last twenty years scholars have sought many different ways to approach the increasingly important yet also increasingly problematic questions of the creation and management of reputation, as well as its role in the corporate life (Barnett and Pollock, 2012). Recognizing the growing importance of corporate reputation as an intangible asset and acknowledging the benefits that a good corporate reputation can bring, scholars have tried to come up with recommendations which practitioners can employ in their day to day activities, as well as when faced with unexpected and

negative events (Coombs, 2007) that threaten to tarnish the reputations of organizations.

One of the most critical limitations of crisis management research is however the lack of empirical grounding. The research is based upon simple lists of recommended crisis response strategies, which imply certain reputational outcomes, but not necessarily reflect real-life situations. While it is known that a crisis can tarnish an organization's reputation, there is a considerable knowledge gap with regard to the effect of the adopted crisis response strategies on an organization's reputation. Prior research has established the need for clearer understanding of how stakeholders react to crisis response strategies (Coombs, 2006).

Furthermore, prior studies have mainly focused only on a single organization's response to a crisis (Dae Ham et al., 2012). However, this thesis argues that it is important to understand that corporate crisis responses can and should be compared. If stakeholders are aware of how one company handled a specific crisis, it is to be expected that they will have certain expectations with regard to another company's response strategies to a similar crisis (Dae Ham et al., 2012). Based on this viewpoint, I argue that it is thus not only the unexpected and negative event, which affects the company's reputation, but also the crisis response strategies, which the company adopts in response to the specific crisis.

This thesis is academically relevant as it aims to test the expectations of the Situational Crisis Communication theory (SCCT), particularly addressing the knowledge gap with regard to the effect of the adopted crisis response strategies on corporate reputation. Conducting this theory-testing research based on real-life examples of crises of private companies operating in the American food industry, it is examined to what extent the adopted crisis response strategies have affected the reputations of those particular companies. Findings of the thesis could either update confidence in the SCCT or reject its simplified list of recommended crisis response strategies, calling for a more context-based approach when crafting corporate crisis responses.

Comparison of similar crises, in response to which companies have adopted different crisis response strategies, will allow extending the expertise beyond a single case (Stretton, 1969), producing robust and reliable evidence (Baxter and Jack, 2008).

This knowledge would improve the ability of scholars and crisis managers to match the crisis response strategies to crisis situations, when organizations are faced with strong attributions of crisis responsibility.

## **1.2. Societal Relevance**

The societal relevance of the research emerges in a form of benefits that the conclusions of this research present to private companies, particularly those operating in the food industry. As noted by Hearit (2006), most public relations problems that organizations face result from organizational misbehaviour. When faced with a growing public relations issue, crisis manager must be aware of the effects one's action or inaction can have on the company's reputation. This thesis allows crisis managers to deepen their knowledge and understanding of the effects that different crisis response strategies can have on the reputations of private companies.

This knowledge could help crisis managers generate positive reputational outcomes by employing the appropriate crisis response strategies, when faced with strong attributions of crisis responsibility. As a result, it would facilitate prevention of the reputational damage and reduction of stakeholders' anger during crisis. Learning from the mistakes and success of other companies, crisis managers can improve their readiness for crisis situations, incorporating the conclusions of the thesis on reputation management in their asset integrity management systems.

## **2. Body of Knowledge**

### **2.1. Corporate reputation**

One of the most important intangible assets that a company nowadays has is its reputation. While the last twenty years have seen “an explosion of interest” in corporate reputation in both scholarly literature and popular press (Barnett and Pollock, 2012; p. 1), there is still no universal agreement on what constitutes corporate reputation. Over the years a number of researchers have employed different and at times even contradictory definitions of the term “corporate reputation” (Wilson and Gotsi, 2001; p. 24). It is argued in this thesis that it is thus important to revisit the term in order to have an understanding of what constitutes corporate reputation, as well as which terms should not be conflated with reputation despite the existence of certain similarities among them. Furthermore, it is necessary to outline the importance of corporate reputation as an intangible asset

Deficiencies in definition and data regarding corporate reputation have been seen as a direct result of insufficient theory development (Wartick, 2002). These deficiencies have been captured by Barnett et al. (2006), who note that perhaps the biggest barrier for creation of a unified definition of corporate reputation is the existing confusion among scholars with regard to such concepts as corporate identity, corporate image and corporate reputation. They conducted a literature review and found 49 different definitional statements of corporate reputation, many of which appeared to confuse or subsume the previously mentioned concepts. It can be argued that such conflation of somewhat similar yet different concepts leads to ambiguous and unclear definitions, which require disaggregation for better comprehension.

Attempts to advance this process have been made by Barnett et al. (2006), who distinguish among the different concepts of corporate identity, corporate image and corporate reputation. The concept of corporate identity derives from the field of organizational culture and can be conceptualized as “a collection of symbols” – central and enduring material and behavioural features that make the organization distinctive from other organizations (Barnett et al., 2006; p. 34). Corporate identity does not deal with observers’ perceptions of a company, but rather relates to the underlying core and basic character of the firm – “what the firm actually is” (p. 34).

Corporate image can be conceptualized as “impressions of the firm”, namely, observers’ impressions of the firm’s distinct collection of symbols (Barnett et al., 2006; p. 34). Corporate image foresees a central role for observers and deals with their general impressions of a firm – “what comes to mind when one hears the name or sees the logo” (Gray and Balmer, 1998; p. 696). It is the task of public relations experts and marketing specialists to ensure a transition from corporate identity to corporate image (Barnett et al., 2006).

Corporate reputation is similarly conceptualized as “judgements made by observers about a firm” (Barnett et al., 2006; p. 33). However, it is necessary to isolate this concept from the other aforementioned concepts in order to achieve a carefully crafted definition of corporate reputation. Barnett et al. (2006) define corporate reputation as “observers’ collective judgements of a corporation based on assessments of the financial, social and environmental impacts attributed to the corporation over time” (p. 34).

While these judgements can be rooted in the observers’ perceptions of the corporation’s identity and impressions of its image, they usually occur as a result of a triggering event. Such triggering events arise from the corporation’s “more visible actions and mistakes” (Barnett et al., 2006; p. 34), such as environmental damage, human rights violations or various external events. Similarly, Fombrun (1996) pays attention to observers’ perceptions of a firm’s actions over time and identifies corporate reputation as “a perceptual representation of a company’s past actions and future prospects that describes the firm’s overall appeal to all of its key constituents when compared with other leading competitors” (p. 72).

It is argued that the best way of drawing a line between corporate reputation, corporate identity and corporate image is recognizing that corporate identity may remain static while corporate image and corporate reputation change as a result of external events (Barnett et al., 2006). Therefore, for the purposes of this thesis I have chosen to extend the definition of corporate reputation provided by Barnett et al. (2006), defining it as “observers’ collective judgements of a corporation **induced by a triggering event** and based on assessments of the financial, social and environmental impacts attributed to the corporation over time”.



Companies having a good reputation in the eyes of their constituents, also called stakeholders (Coombs, 2007), can therefore be seen as being in a much more advantageous position than companies, reputation of which has been damaged by certain actions in the past or uncertainties with regard to the future. Attraction and retaining of customers, capability of charging premium prices for products and services, lower costs of capital and labour, increased employee loyalty, greater latitude in decision-making as well as greater goodwill and support of stakeholders when hit by a crisis are among the number of benefits enjoyed by companies having strong corporate reputations (Fombrun, 1996).

While the advantages of a strong corporate reputation have been vastly covered by literature of such disciplines as business and marketing (Herbig and Milewicz, 1995; Page and Fearn, 2005), this thesis addresses the subject of reputation management specifically within the context of crisis management. Barnett et al. (2006) emphasize that the reason why corporate reputations remain relatively understudied is not only the problem of definition, but also the fact that reputations are seldom noticed until they are threatened (p. 26). This is perhaps also the reason, why Barnett et al. (2006) emphasize the importance of a triggering event in the formation process of corporate reputation. In the context of this thesis the triggering event refers to the unexpected revelation of strains of harmful bacteria in the products of the private companies being studied.

It is known that corporate crisis invites negative stakeholder reaction and thus “has the potential to threaten the financial wellbeing, reputation, or survival of the firm or some portion thereof” (Hayes James and Perry Wooten, 2005; p. 142). This view is shared by Dilenschneider (2000), who argues that all crises pose a threat of tarnishing organization’s reputation. Taking into account the fragile nature of corporate reputation, there is a need for companies to maintain it on a constant basis. Subsequently, a critical role in organizational efforts to prevent such negative consequences is played by effective crisis management. “Hope for the best, plan for the worst”, the expression coined by Child (2014) appears to capture the essence of organizational planning nowadays and serves as the *modus operandi* for companies operating in complex business environments.

## 2.2. Crisis management

Due to the fragility of corporate reputation and the damage that a crisis can inflict upon it, a central role in organizational efforts to protect or repair a company's reputation is played by successful crisis management. It refers specifically to a process designed to prevent or minimize the damage that a crisis can inflict upon an organization and its stakeholders. While this thesis focuses specifically on reputational damage, the other two inter-related types of threats that a crisis can pose also have to be noted. These threats are namely public safety concerns and financial loss ("Crisis Management and Communications", 2014). It is important to outline the main tasks and challenges of crisis management in order to attain a clear picture of the importance of this organizational function.

Due to the complex nature of crises it is necessary for organizations to be aware of all the phases and steps involved in the crisis management process to be able to manage crises effectively (Mitroff et al., 1987). It can therefore be argued that crisis management should be viewed as a long-term process, because it does not begin only when the crisis hits and does not end, when the crisis appears to be over. In order to manage crisis successfully, a company has to be prepared and aware of the steps to be taken. Focusing specifically on organizational crisis management from a management theory perspective, Pearson and Clair (1998, p. 61) define it as "systematic attempt by organizational members with external stakeholders to avert crises or to effectively manage those that do occur". Referring to crisis management as "a critical organizational function", Coombs (2007a) divides the process into three different phases: the pre-crisis phase, crisis response phase and the post-crisis phase.

The crisis response phase refers specifically to "what management does and says after the crisis hits" ("Crisis Management and Communications", 2007). When faced with a crisis, be it a massive breakdown in the supply chain or revelation of strains of harmful bacteria in a food product, a company has to develop messages to address its stakeholders and take immediate corrective action in order to protect or to repair its reputation. With stakeholders, such as the company's customers, business partners and the media attributing a certain level of responsibility for the crisis to the company, an important role is thus played by external crisis communication, which the company's management employs to deal with the potential reputational threat, as

well as the public safety, financial and legal concerns (“Crisis Management and Communications”, 2007). It can be argued that in a situation of uncertainty and stakeholder pressure external crisis communication serves as the company’s first line of defence.

Due to the unpredictable and negative nature of crisis, choosing the right crisis response strategy constitutes a considerable challenge to the company’s CEO and its crisis management team. Furthermore, the nowadays information environment calls for a rapid response, which yet has to be thoughtful. While a “wait and see approach” (Beghetto, 2016; p. 3) often appears to be sensible, it can result in changes being imposed upon a company rather than being directed by the company. According to the initial crisis response guidelines, crisis managers should provide a response in the first hour after crisis occurs (“Crisis Management and Communications”, 2007). In case the company provides a wrong response, it runs the risk of further damaging its reputation in the eyes of its stakeholders, while keeping silent during the crisis is seen as being too passive, which in turn indicates that the company is not in control of the situation and does not care how it is being perceived by its stakeholders. Such passiveness can in turn lead to increased reputational and financial loss (Hearit, 1994).

Researchers working in the field of crisis management have increasingly acknowledged the importance of stakeholders’ emotions during crisis. Emotions, such as sympathy and anger towards an organization, are seen as having a direct effect on the organization’s reputation and stakeholders’ behavioural intentions towards the particular organization (Coombs & Holladay, 2007). Therefore, it has to be emphasized that one should also take into account the emotional dimension in the context of reputation management.

### **2.3. Crisis response strategies**

A growing body of crisis management research focuses on crisis response strategies and the appropriate selection of them in response to a crisis (Ki and Brown, 2013; Park, 2017). Crisis response strategies, also known as reputation repair strategies (Coombs, 2007), are employed by crisis managers with the aim of protecting or repairing organization’s reputation during a crisis. Ashari et al. (2017) maintain that

an organization's tactic in responding to a crisis may have a significant effect on the organization's effort to survive its reputational damages. Deriving from this notion, it is argued that it is therefore necessary to examine the effects that particular strategic crisis response choices can have on an organization's reputation. In the context of this thesis crisis response strategy is defined as "a strategy or a set of strategies directed to all groups of stakeholders in response to crisis conditions during the crisis as a whole, independently of the crisis stage" (Bloch, 2014; p. 174).

Presented in a form of theoretical guidelines, crisis response strategies vary in terms of how accommodating they are to the victims of the crisis – those harmed or at risk of being harmed by the crisis ("Crisis Management and Communications", 2007). The more accommodating a crisis response strategy is, the more it focuses on helping the victims, rather than addressing organizational concerns. While some scholars have argued that organizations should always take the high-road by accepting responsibility for the crisis (Lee and Chung; 2012), others have advocated for a more contingent approach, stating that acceptance of crisis responsibility is not always the best policy. Such a stance appears to be logical in a sense that the more accommodating a crisis response strategy is, the more expensive it may be for the organization in question (Patel and Reinsch, 2003).

Besides consideration of potential costs, when selecting a particular crisis response strategy, crisis manager should also focus on the emotional dimension of the subject matter. Weiner (1986) employs Attribution Theory arguing that individuals search for causes of events and make attributions of crisis responsibility. He focuses on two core emotions – sympathy and anger – arguing that in case an organization is perceived responsible for the crisis, anger is evoked, thus threatening the respective organization with reputational and financial loss. A similar view is shared by Kim and Cameron (2011), who observe how emotional news frames affect people's perceptions of crisis and the corporate response to it. They argue that effective corporate crisis response can potentially be developed via taking into account the crisis type, framing of crisis by the media, emotional responses to crisis by the public as well as the use of emotional appeals. Subsequently, it can be concluded that the primary task of a crisis response strategy is reducing stakeholders' anger, directed at the organization in crisis, and favourably evoking a sense of sympathy towards the organization.

Even if a crisis manager is certain that the organization is not responsible for the crisis, this view might not be shared by the organization's stakeholders. Benoit (1997) pays special attention to stakeholders' perceptions of crisis and argues that perceptions are more important than reality. He notes that it does not matter whether an organization is in fact responsible for the crisis; what is important is whether the organization is perceived to be responsible by the relevant audience. Under this condition the organization's reputation is at risk. Benoit provides strategies that can be employed by corporations to restore their reputations. These strategies are primarily based on crisis communication as a goal-directed activity, forming Benoit's (1997) Image Restoration Theory.

With restoration of corporate reputation explicitly set out as a goal, determination of the effectiveness of various crisis response strategies remains a central issue in crisis management research. It has to be emphasized however that one should be cautious with regard to the use of one's language when referring to restoration of image in order to avoid conflation of the different terms. As mentioned previously, Barnett et al. (2006) stress that there is a difference between corporate image and corporate reputation.

As the triggering event, which leads to a crisis, also plays a key role in Benoit's research, in the contemporary understanding of the terms one should thus rather refer to it as restoration of reputation than restoration of image. Coombs (2007a) builds upon Weiner's Attribution Theory and Benoit's Image Restoration Theory, establishing Situational Crisis Communication Theory (SCCT). Just as the Attribution Theory, SCCT pays particular interest to stakeholders' perceptions of the crisis situation and the organization's responsibility for the crisis. It advances the ideas of the Attribution Theory and examines how stakeholders' perceptions affect organizational crisis responses. SCCT further predicts the effects that these responses have on such outcomes as the organization's reputation, as well as the stakeholders' emotions and purchase intentions (Coombs, 2007a).

SCCT posits that crisis manager must first assess the crisis situation and determine the level of reputational threat posed by the crisis. This level refers to the amount of damage that the respective crisis could inflict upon the organization's reputation. The reputational threat is shaped by the three following factors – 1) initial

crisis responsibility; 2) crisis history and 3) prior reputation. In order to assess the reputational threat the crisis manager must follow a two-step process for examining the three previously mentioned factors (Coombs, 2007a).

The first step entails determining the organization's initial crisis responsibility. Initial crisis responsibility refers to the stakeholders' perceptions of the organization's personal control over the crisis. In case stakeholders believe that those were organizational actions that caused the crisis, they attribute higher initial crisis responsibility to the organization, which in turn results in a higher reputational threat. In order to determine the level of initial crisis responsibility that the stakeholders have attributed to the organization, the crisis manager must judge on the type of crisis that the organization is facing. Crisis type refers to the way, in which the organization's stakeholders have framed or, in other words, interpreted the respective crisis (Coombs, 2007a).

According to the SCCT, there are three different clusters of corporate crises, each implying a different and predictable level of crisis responsibility attributed to the organization by its stakeholders. The three clusters are as follows – 1) the victim cluster; 2) accidental cluster and 3) intentional cluster. The victim cluster includes such types of crisis as natural disasters, workplace violence, product tampering and rumour. The organization is viewed as a victim of such crisis and subsequently attributed no or a minimal level of crisis responsibility. The accidental cluster includes such types of crisis as a technical-error accident, technical error product harm and challenges. The organization is attributed a low level of crisis responsibility as the event causing the crisis is seen as unintentional or uncontrollable by the organization's stakeholders ("Crisis Management and Communications", 2014).

The intentional cluster includes such types of crisis as a human-error accident, human-error product harm and organizational misdeed. This cluster has very strong attributions of crisis responsibility as the organization's stakeholders consider the event that triggered the crisis as purposeful. According to Ulmer et al. (2010), there is a clear difference between an organization suffering an accident and an organization knowingly causing or allowing a crisis to occur. In case of the latter moving beyond the crisis is critically complicated as the respective organization is regarded by its stakeholders as unethical and irresponsible in its business practices. Therefore,

stakeholders are much less likely to forgive and forget (Ulmer et al., 2010). Via determining the type of the crisis that the organization is facing, the crisis manager is thus able to predict the initial level of crisis responsibility that is attributed to the organization by its stakeholders (“Crisis Management and Communications”, 2014).

The second step in assessing the reputational threat posed by the crisis involves examining the two remaining factors – crisis history and prior reputation. Crisis history refers to whether or not the organization has experienced a similar crisis in the past. Prior reputation examines how well or badly the organization has treated its stakeholders in other contexts. In case the organization has a history of crises and/or is known for treating its stakeholders badly in other contexts, the reputational threat is intensified. The SCCT provides a list of crisis response strategies designed for each of the three clusters of corporate crises (“Crisis Management and Communications”, 2014).

### **Base response**

According to the SCCT, each crisis that has resulted in victims should primarily include a *base response*. Base response consists of two parts, namely, instructing information and care response. Via instructing information the organization in crisis should provide stakeholders with instructions on how they can physically protect themselves from the crisis. In case of product harm, this part of base response should also include product recall information. Care response, on the contrary, refers to the necessity of helping the victims psychologically cope with the respective crisis. Care response takes place via expression of sympathy for all victims, providing them with any information regarding corrective action aimed at preventing the crisis from reoccurring as well as ensuring availability of trauma counselling if necessary (“Crisis Management and Communications”, 2014).

Critiques of the SCCT (Kim and Sung, 2014) have argued that adoption of a base response can be just as effective for generating positive responses from the public as the crisis response strategies aimed at reputation management. Even though the base response primarily deals with protection of stakeholders and not reputation management, it has to be acknowledged that it is a fundamental part of an organization’s crisis response. It is argued that base response or the lack of it can

subsequently have a considerable effect on the reputation of the respective organization.

With a specific focus on reputation management, the SCCT identifies nine different crisis response strategies, which are then sub-categorized in three different groups of primary crisis response strategies and one group of secondary crisis response strategies. The primary crisis response strategies constitute the following groups – *deny* strategies, *diminish* strategies and *rebuild* strategies. The group of secondary crisis response strategies is known as *bolstering* strategies (“Crisis Management and Communications”, 2014). The characteristics and main objectives of the primary crisis response strategies are further explained in detail.

### ***Deny* crisis response strategies**

As the name of the group suggests, *deny* crisis response strategies are employed by crisis managers with the objectives of denying existence of a crisis or denying the organization’s responsibility for it. The main motivation behind denial is distancing the organization from the crisis (“Crisis Management and Communications”, 2014). It can be argued that this motivation appears to be logical, because if an organization successfully manages to assure its stakeholders that there is no crisis or that the organization is not responsible for it, the reputational threat could potentially be avoided.

The effectiveness of *deny* crisis response strategies however has been disputed. Kim and Sung (2014) see denial as a highly effective crisis response strategy. Their view is however contested by Coombs et al. (2016), who argue that denial of crisis responsibility can only be effective in cases when the respective organization is actually not responsible for the crisis. According to them, employing the strategy of denial in other crisis scenarios, especially when the organization has been found guilty, can only lead to lower reputational scores.

Denial of crisis responsibility can also take place in the forms of *attacking the accuser* and/or *scapegoating*. The strategy of *attacking the accuser* refers to the crisis manager confronting the person or group, which is claiming that something is wrong with the organization. The latter strategy of *scapegoating* sees crisis manager blaming



some person or group, external to the organization, for the crisis (“Crisis Management and Communications”, 2014). Ulmer et al. (2010) argue that denying responsibility is one of the key communication strategies for organizations following a crisis. However, they acknowledge that shifting blame to another organization is often a more effective strategy. Saying “we are not responsible, but we know who is” is seen as a clearly more effective strategy than simply saying “we did not do it” (Ulmer et al., 2010; p. 35). Placing the blame on an outside agency can shield an organization’s reputation by heightening the uncertainty of who is actually responsible for the respective crisis.

While some scholars (Brown, 2016) have found support for the effectiveness of *attacking the accuser* strategy, others have labelled it as a defensive and “very aggressive” strategy (Rasche et al., 2017; p. 310). Furthermore, the SCCT states that *deny* crisis response strategies should only be employed in cases, when an organization is faced with a rumour or challenge crisis (“Crisis Management and Communications”, 2014).

It can be argued that the choice of *deny* crisis response strategies can furthermore be hazardous due to the possibility of the respective company eventually being proved to be at fault during a later stage of the crisis. As an example, this was particularly pronounced in the case of the Federal National Mortgage Association (FNMA) denying accounting manipulation. It was later revealed that the organization had hidden information about trillions of dollars in losses, creating an even bigger crisis in the long-term (Day, 2006). It can therefore be argued that responses, which address the reputational threat in the short-term, can tarnish the organization’s reputation in the long-term. It is argued that adoption of a more accommodative crisis response strategy, which addresses stakeholders’ interests rather than organizational concerns, would most likely lead to more positive reputational outcomes.

In light of the aforementioned considerations this thesis sets forth the following expectation: ***Deny* crisis response strategies negatively affect the reputation of private companies operating in the American food industry.**

### ***Diminish* crisis response strategies**

*Diminish* crisis response strategies are employed by crisis managers with the objectives of reducing the perceived impact of the crisis and/or minimizing the organization's responsibility for the crisis. Crisis managers can utilize *diminish* crisis response strategies either in a form of excuse or justification. The form of excuse sees crisis manager minimizing the respective organization's responsibility for the crisis by denying intent to do harm or claiming that the organization was unable to control the events that triggered the crisis. With regard to justification, crisis manager minimizes the perceived impact of the crisis via advocating the efficacy of measures taken by the organization ("Crisis Management and Communications", 2014).

According to the SCCT, *diminish* crisis response strategies should be employed to address crises with low attributions of crisis responsibility and no intensifying factors and/or crises with minimal attributions of crisis responsibility and an intensifying factor, namely, crisis history and/or prior reputation ("Crisis Management and Communications", 2014). Prior research (Brocato et al., 2012) has suggested that while justification can be an effective strategy for minimizing the reputational threat faced by an organization, it increases the reputational threat faced by the organization's CEO.

A well-known example of the use of a *diminish* crisis response strategy in the form of justification is the statement of the American multinational corporation's *Nike Inc.* CEO Philipp H. Knight in light of the allegations that the company was paying low wages and using sweatshops in such countries as Indonesia and Vietnam for production of footwear and clothing. Knight justified the company's actions, stating that in those countries the company was paying legal minimum wages and more (Cushman, 1998). It is argued that similarly to the *deny* crisis response strategies, the *diminish* crisis response strategies generally fail at addressing public concerns and are thus most likely to be less effective than their more accommodating counter-parts.

In light of the aforementioned considerations this thesis sets forth the following expectation: ***Diminish* crisis response strategies negatively affect the reputation of private companies operating in the American food industry.**

### ***Rebuild* crisis response strategies**

The most accommodating group of primary crisis response strategies includes the *rebuild* strategies. Motivation behind the use of *rebuild* crisis response strategies is indication that the organization takes full responsibility for the crisis. *Rebuild* crisis response strategies can be employed in a form of an apology, when an organization asks its stakeholders for forgiveness, and/or compensation, when the apology is supplemented by money or other gifts to the victims (“Crisis Management and Communications”, 2014).

Organizations employ *rebuild* crisis response strategies to reconcile with their stakeholders. Hearit (2006) focuses on the ritualistic, temporal and symbolic dimensions of an apology arguing that only through this ritually constructed communication exchange it is possible to deal with the problem of guilt and restore social order. He finds however that “in a sense, compensation has become the new apology” (Hearit, 2006; p. 209). The particular finding reflects the view of scholars who argue that organizations do not always regard apology as the best policy. Instead of taking full responsibility for the crisis via an apologetic statement, organizations might resort to a particular payment for victims. Organizations tend to avoid apologizing due to liability concerns and fears of negative legal judgements (Hearit, 2006).

According to the SCCT, *rebuild* crisis response strategies should be employed to address crises with low levels of crisis responsibility and an intensifying factor as well as crises which entail strong attributions of crisis responsibility. Use of the compensation strategy is furthermore advised anytime victims have suffered serious harm (“Crisis Management and Communications”, 2014). Similarly, Kellerman (2006) focuses on the severity of the respective crisis, arguing that an apology should be employed, when it will serve an important purpose, when the crisis has resulted in serious consequences and when the cost of an apology would be lower than the cost of remaining silent.

A famous example of the *rebuild* crisis response strategy is the public apology by *Toyota* President Akio Toyada following the global recall of *Toyota* vehicles due

to technical faults. He stated that the company was “very sorry” for the safety recalls and noted that customer was always the company’s first priority (McCurry, 2010).

In light of the aforementioned considerations this thesis sets forth the following expectation: ***Rebuild* crisis response strategies positively affect the reputation of private companies operating in the American food industry.**

### 3. Methodology

The aim of this theory-testing research is to analyze to what extent the adopted crisis response strategies of private companies operating in the American food industry have affected the reputation of those companies. This objective is based upon the theoretical framework of the Situational Crisis Communication theory (SCCT). As previously described, the SCCT distinguishes among three different types of primary crisis response strategies which crisis managers can employ to address the reputational threat posed by the crisis – 1) *deny*; 2) *diminish* and 3) *rebuild* (“Crisis Management and Communications”, 2014).

#### 3.1. Research method

In order to examine the influence of these crisis response strategies on the reputation of private companies operating in the American food industry, a comparative, holistic, multiple-case study design is employed. As noted by Yin (2003), case studies are to be preferred, “when “how” and “why” questions are being posed, when the investigator has little control over events and when the focus is on a contemporary phenomenon within some real-life context” (p. 1). Evidence produced by a multiple case-study design is measured as robust and reliable (Baxter and Jack, 2008).

Qualitative case study methodology is appropriate for the research question as it provides tools for studying complex phenomena within their contexts (Baxter and Jack, 2008). A comparative case study design furthermore enables the “analysis and synthesis of the similarities, differences and patterns across two or more cases that share a common focus or goal” (Goodrick, 2014). With reputation serving as one of the most valuable intangible assets of private companies nowadays, protection and repairing of reputation are the ultimate objectives of every company, which finds itself in a crisis.

*Reputation* serves as the dependent variable, while *crisis response strategy* is the independent variable in this cross-case analysis. Toshkov (2016) refers to small-N designs as “hybrids”, which complement the inference of cross-case analysis with

evidence of the within-case analysis for each case they study (p. 258). Employing this type of analysis, I will be able to extend my expertise beyond a single case (Stretton, 1969). The control variables are derived from the framework of the SCCT and are *the type of crisis; initial crisis responsibility; crisis history; and prior reputation issues*, respectively.

### **3.2. Operationalization**

The independent variable, *crisis response strategies*, are listed in Table 1 and have been operationalized via translating the explanation of each crisis response strategy provided by the Master List of Reputation Repair Strategies (“Crisis Management and Communications”, 2014). These translations are listed in the *Indicators* column. *Variables* cover the three groups of primary crisis response strategies identified by the SCCT, while *dimensions* relate to the specific crisis response strategies that these groups incorporate. Furthermore, examples of utilization of each crisis response strategy have been provided for better comprehension.

Operationalization of the dependent variable, *reputation*, has been inspired by an argument made by Irlbeck et al. (2013), who argue that consumer buying patterns, monitored during the outbreak of a food-borne illness, can “be used to determine the effectiveness of the communication efforts” (p. 22). It is argued that effective crisis communication positively affects the reputation of a company in crisis, resulting in an increase in sales. Ineffective crisis communication, in turn, negatively affects the reputation of the company in crisis, leading to a decrease in sales. The third option left open as a possibility is that in spite of the company’s communication efforts its reputation is not affected, with sales remaining at the same level.

Furthermore, this thesis takes into account changes in the companies’ stock values for determination of the reputational effect. Changes in stock values, which are induced by market forces, reflect stakeholders’ perceptions of the worth of the respective company (Desjardins, n. d.). It is thus argued that if a company’s crisis response is effective, its stock value will rise, while in case of an ineffective response, the stock value will fall. While crises are seen as having negative effects on sales and stock values, “crisis response can reduce or eliminate these negative effects”

(Coombs, 2007; p. 136). Operationalization of the dependent variable, *reputation*, is displayed in Table 2.

**Table 1: Crisis response strategies**

Variables	Dimensions	Indicators	Examples
Deny	1) Denial 2) Attack the accuser 3) Scapegoating	1) “We did not do it/ we are not responsible” 2) “They do not know what they are talking about” 3) “We are not responsible, but we know who is”	1) “We feel confident that we did not contaminate the patties in question” ( <i>Vons</i> spokesperson on company’s alleged responsibility for meat contamination) (Reza and Hubler, 1993) 2) “The filing of a lawsuit is nothing more than allegations and is proof of absolutely nothing on its own” ( <i>Chipotle</i> CEO on <i>Bachus &amp; Schanker</i> filing a lawsuit, accusing <i>Chipotle</i> of fair labour law violations) (Draper, 2014) 3) “Our speculation at this point is that the contamination occurred at the time

			of slaughter” ( <i>Jack in the Box</i> CEO on the company meat supplier’s <i>Vons</i> responsibility for the crisis) (James, 1993)
Diminish	<ol style="list-style-type: none"> <li>1) Excuse</li> <li>2) Justification</li> </ol>	<ol style="list-style-type: none"> <li>1) “We did not intend to do harm/ we were unable to control the course of events”</li> <li>2) “Our products are safe/ we have taken measures to ensure safety”</li> </ol>	<ol style="list-style-type: none"> <li>1) “There is currently no industry-accepted means of testing produce for the hepatitis A virus, and beyond that, there is no possible way to wash hepatitis A off contaminated green onions” (<i>Chi-Chi’s</i> Chief Operating Officer following the outbreak of hepatitis A) (Dakss, 2003)</li> <li>2) “I want to assure the public that we've taken every possible action to ensure the public health and safety” (<i>Chi-Chi’s</i> Chief Operating Officer following the outbreak of hepatitis A) (Dakss, 2003)</li> </ol>
Rebuild	<ol style="list-style-type: none"> <li>1) Apology</li> <li>2) Compensation</li> </ol>	<ol style="list-style-type: none"> <li>1) “We are sorry/we apologize”</li> </ol>	<ol style="list-style-type: none"> <li>1) ”This has been a huge tragedy. We are very, very sorry. We hope</li> </ol>



		2) “We will compensate”	<p>it leads to better understanding of food safety” (<i>Jensen Farms</i> CEO following the listeria outbreak) (Sanchez, 2014)</p> <p>2) “We will compensate every family which has suffered a prejudice” (<i>Lactalis</i> Chief Executive following the salmonella outbreak) (Lough, 2018)</p>
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**Table 2: Reputation**

<b>Variables</b>	<b>Dimensions</b>	<b>Indicators</b>
Reputation	1) Positively affected 2) Not affected 3) Negatively affected	1) Increase in sales/ stock value 2) No change in sales/ stock value 3) Decrease in sales/ stock value

### 3.3. Case selection

The population of cases includes multistate outbreaks of food-borne diseases in the territory of the USA in the time period from 1990 to 2017. Studying cases from the same industry of business and geographical region allows eliminating potential socio-political, economic and cultural factors that could have an effect on the relationship being studied. Data regarding the outbreaks is gathered from the Foodborne Illness Outbreak Database (<http://www.outbreakdatabase.com/>). Centers for Disease Control and Prevention (CDC) database and the NORIS Dashboard online data tool from CDC's National Outbreak Reporting System (<https://wwwn.cdc.gov/norsdashboard/>) have also been employed for verification purposes of the identified cases.

The population particularly includes cases relating to the outbreaks of bacteria *Escherichia coli* (*E. coli*), salmonella, listeria, botulism and hepatitis A, which are among the most common pathogens leading to the outbreak of food-borne diseases ("Foodborne Illnesses and Germs", n. d.). The CDC estimates that every year in the U.S. around 48 million people get sick, 128,000 are hospitalized and 3,000 die as a result of food-borne diseases ("Foodborne Illnesses and Germs", n. d.). For feasibility purposes of the thesis, the population is thus limited to cases, which have resulted in at least one confirmed fatality and at least 50 confirmed illnesses, generated by outbreaks of the respective pathogens in the given time period. This threshold for case selection has been chosen in order to ensure that the population of cases includes particularly severe outbreaks of food-borne illnesses, which subsequently generate considerable media attention.

Furthermore, only cases of preventable crises are included. According to the categorization of the SCCT, preventable crises fall into the intentional cluster. The intentional cluster includes crises generated by a human-error accident, human-error product harm and organizational misdeed. Such crises subsequently entail high attributions of initial crisis responsibility to the respective food-producing companies by their stakeholders (Coombs, 2007a). According to the variables listed in Table 1, the prevailing crisis response strategies, which have been adopted by the respective companies, are characterized in one of the three following ways – *deny*, *diminish* or *rebuild*.

In order to test the expectations of the thesis, three particular cases of U.S. food industry crises have been selected from the given population. A theory-based case selection is pursued, employing the most-likely case study design. The cases to be studied are as follows: 1) the 1993 *Jack in the Box* E. coli outbreak; 2) the 1996 *Odwalla* E. coli outbreak; and 3) the 2008-2009 *Peanut Corporation of America (PCA)* salmonella outbreak. All three crises were generated by organizational misdeeds of the respective food-producers, which led to the outbreaks of the respective bacteria.

These crises were thus “man-made” and could have been prevented if companies had ensured conformity with the necessary safety measures. The selected crises can be regarded as particularly severe, as besides high attributions of initial crisis responsibility, the liable companies had had prior reputation issues in other contexts. According to the SCCT, such issues serve as an intensifying factor of the reputational threat faced by the respective companies. It is implied in the thesis that the reputational outcomes do not vary depending on specific strains of bacteria, as the majority of stakeholders do not have detailed knowledge in epidemiology and bacteriology.

While *reputation* serves as the dependent variable of the research, implications for the SCCT arise with regard to the independent variable, namely, *crisis response strategy*. *Jack in the Box*'s response to the 1993 E. coli outbreak presents an example of the *deny* crisis response strategies being employed to address the crisis. *PCA*'s response to the 2008-2009 salmonella outbreak serves as an example of the *diminish* crisis response strategies, while *Odwalla*'s response to the 1996 E. coli outbreak is an example of the *rebuild* crisis response strategies. These cases have therefore been selected to represent the full spectrum of primary crisis response strategies identified by the SCCT.

**Table 3: Population**

<b>Crisis (year)</b>	<b>Crisis response strategy</b>	<b>Type of crisis</b>	<b>Initial crisis responsibility</b>	<b>Crisis history</b>	<b>Prior reputation issues in other contexts</b>	<b>Reputation</b>	<b>Illnesses (fatalities)</b>
<i>Jack in the Box</i> hamburger patties E. coli outbreak (1993)	Deny	Organizational misdeed	High	No	Yes	?	708 (4)
<i>Odwalla</i> E. coli apple juice outbreak (1996)	Rebuild	Organizational misdeed	High	No	Yes	?	70 (1)
<i>Sara Lee</i> hot dogs and cold cuts Listeria outbreak (1998-1999)	Diminish	Organizational misdeed	High	No	No	?	101 (21)
<i>Sun Orchard</i> orange juice Salmonella	Diminish	Organizational misdeed	High	No	No	?	360 (1)

Muenchen outbreak (1999)							
<i>Sizzler</i> beef sirloin E. coli outbreak (2000)	Rebuild	Organizational misdeed	High	No	No	?	736 (1)
<i>Shipley Sales Viva</i> cantaloupe Salmonella Poona outbreak (2001)	Deny	Organizational misdeed	High	No	No	?	50 (2)
<i>Pilgrim's Pride</i> poultry Listeria outbreak (2002)	Rebuild	Organizational misdeed	High	No	No	?	54 (8)
<i>Chi-Chi's</i> green onions Hepatitis A outbreak (2003)	Diminish	Organizational misdeed	High	No	No	?	565 (3)
<i>Natural Selection Foods</i> Dole bagged spinach E. coli outbreak	Rebuild	Organizational misdeed	High	No	No	?	238 (5)

(2006)							
<i>Con Agra Banquet</i> pot pies Salmonella outbreak (2007)	Diminish	Organizational misdeed	High	No	No	?	401 (3)
<b>PCA</b> peanut <b>butter</b> <b>Salmonella</b> <b>Typhimurium</b> <b>outbreak (2008-2009)</b>	<b>Diminish</b>	<b>Organizational misdeed</b>	<b>High</b>	<b>No</b>	<b>Yes</b>	<b>?</b>	<b>714 (9)</b>
<i>Jensen Farms</i> cantaloupe Listeria outbreak (2011)	Rebuild	Organizational misdeed	High	No	No	?	147 (33)
<i>Cargill</i> ground turkey Salmonella Heidelberg outbreak (2011)	Rebuild	Organizational misdeed	High	No	No	?	181 (1)

<i>Chamberlain Farms</i> cantaloupe Salmonella Newport outbreak (2012)	Rebuild	Organizational misdeed	High	No	No	?	261 (3)
<i>Andrew and Williamson</i> cucumber Salmonella Poona outbreak (2015)	Diminish	Organizational misdeed	High	No	No	?	907 (6)

### 3.4. Data analysis

Data regarding crisis communications of *Jack in the Box*, *PCA* and *Odwalla* is gathered from the archives of the American newspapers *The Washington Post* and *The New York Times*, which have both been labelled as the United States' "newspapers of record" (Hearit, 2006; p. viii); (Doctor, 2015). The newspapers are viewed as highly credible if not authoritative sources (Hearit, 2006) and have been shown to have a significant effect on further broadcast of other news agencies (Batulis, 1976). The archives of both newspapers have been incorporated in the *ProQuest Historical Newspapers* database, which allows searching primary source material in a digital format. The database includes every issue of each newspaper in a complete cover-to-cover format, allowing researchers to study the progression of issues over time ("ProQuest Historical Newspapers", n. d.).

The search for articles in the database takes place via a selection of a specific date range and a combination of keywords, which aim to limit the number of articles based on their relevance. The date range selected for searching crisis communications of *Jack in the Box*, *PCA* and *Odwalla* has been limited to two years following the indicated starting dates of the respective crises. Such a limitation allows focusing specifically on the companies' crisis communications during the crisis response phase. The keywords used for filtering the articles in the given time period are as follows: "*Jack in the Box and e. coli*"; "*Odwalla and e. coli*" and "*Peanut Corporation of America and salmonella*".

The number of articles providing information on the crisis communications of the three companies in the given time period has been listed in Table 4. The numbers in brackets identify the exact number of media statements that the crisis managers have employed with the aims of protecting or repairing the reputation of their respective companies. Judgements regarding relevance of the respective crisis communications have been made in accordance with Table 1, which provides guidance on the exact wording of media statements characterizing each crisis response strategy.



While information on crisis communications of the respective companies is gathered exclusively from the archives of *The New York Times* and *The Washington Post*, information for the purposes of case description, as well as characterization of the reputational threat faced by the companies and the effect of the adopted crisis response strategies on their reputations is gathered via additional sources. Bearing the availability of data, these sources include the website of the U.S. Securities and Exchange Commission (<https://www.sec.gov/>) and other newspapers.

**Table 4: Crisis communications**

<b>Cases</b>	<b>New York Times</b>	<b>Washington Post</b>
<i>Jack in the Box</i>	14 (17)	16 (17)
<i>PCA</i>	30 (32)	18 (21)
<i>Odwalla</i>	10 (14)	6 (8)

### **3.5. Validity**

Gathering data from multiple credible and authoritative sources contributes to the internal validity of the acquired results. However, an important aspect of any research is also its external validity. The case-study design has been criticized for lacking external validity, with the collected data not necessarily allowing generalisation to the wider population (Tsang, 2014). Based on the case selection, it will potentially be possible to generalize the acquired results to other cases of private companies employing the SCCT crisis response strategies in order to protect their reputations when faced with strong attributions of crisis responsibility by their stakeholders, with issues of prior reputation serving as an intensifying factor of the reputational threat faced by those companies.

In order to increase the external validity of the acquired results comparisons to the already existing research in the field are made. According to Bennett (2004), this is a useful approach for addressing the issue of representativeness of small-N designs. Toshkov (2016) argues that comparisons are vital in generation of new ideas and

theoretical concepts. Even though the selected cases primarily focus on food industry crises in the U.S., it is argued that the acquired results can also be generalized to similar crises in other countries.

### **3.6. Pitfalls**

The emphasis in this research is placed on crises entailing strong attributions of crisis responsibility. One of the scope conditions of the research is analysis of cases only falling into the intentional crisis cluster. One of the limitations is that the acquired results cannot be generalised to cases falling into the other two crisis clusters identified by the SCCT - the victim cluster and the accidental cluster (Coombs, 2007). In such cases the effect of the adopted crisis response strategies on corporate reputation can potentially result in different outcomes. This point has to be mentioned in order to avoid the potential problem of “overgeneralization” (Bennett, 2004; p. 43).

Furthermore, this thesis specifically addresses the effect of primary crisis response strategies on the reputation of private companies. The effect of secondary or *bolstering* crisis response strategies, which include *reminder* and *ingratiation* strategies, is not addressed. Even though these strategies do present crisis managers with alternative ways of responding to a crisis, they should only be used as supplements to the primary crisis response strategies.

## 4. Jack in the Box E. coli Outbreak (1993)

### 4.1. Case description

*Jack in the Box* is an American fast-food restaurant chain, headquartered in San Diego, California. Founded in 1951, it was one of the first companies entering business in the American fast-food industry. Growing from a single restaurant in San Diego, by 1993 the company had become the fifth largest fast food chain in the country, operating 1165 restaurants across the United States. Owned by *Foodmaker Inc.*, *Jack in the Box* accounted for two thirds of its parent company's 1.22 billion dollar sales in 1992 ("COMPANY NEWS", 1993). Having opened 63 new restaurants in 1992, the company had ambitious expansion plans with the opening of another 70 restaurants scheduled for 1993 ("COMPANY NEWS", 1993). Those plans were however interrupted by a major organizational crisis, the onset of which started on January 13<sup>th</sup>, 1993 (Bryant, 1993).

What can be referred to as the triggering event (Barnett et al., 2006), leading to the crisis, was an alert from the Seattle Children's Hospital to the Washington State Department of Health (DOH) about an unusually high number of children being treated for food poisoning, having contracted *Escherichia coli* (*E. coli*) bacterial infection. Most strains of the bacteria, which can normally be found in the intestines of people and animals, are harmless, however, the particular *E. coli* serotype, which had infected the individuals, causes a food-borne disease, which can potentially be life threatening. The infection can lead to hemorrhagic diarrhea, dehydration and haemolytic uremic syndrome (HUS), which causes kidney failure. Small children, pregnant women, old people, as well as individuals with a compromised immune-system are at an increased risk of developing these complications ("E. Coli Bacteria and Its Complications", 2013).

At the time of the alert the information regarding the outbreak had not yet been disclosed to the public. However, it can be argued that the attribution of initial crisis responsibility to *Jack in the Box* by its stakeholders began on January 18<sup>th</sup>, 1993, when DOH publically announced that it was convinced of a link between the outbreak of the food-borne disease and the San Diego-based fast-food chain. According to a statement made by the *Jack in the Box* president Robert Nugent, the

company itself became aware of the allegations on January 15<sup>th</sup>, when it received a message from the DOH regarding the suspected link to the outbreak (“COMPANY NEWS”, 1993). Contamination was found in two of the ten ground beef samples obtained from *Jack in the Box* restaurants in the area of Seattle.

While seven children were on kidney dialysis and the number of reported illnesses continued to grow, the first death occurred on January 22<sup>nd</sup>, when a two-year old child died as a result of the infection. A statement of the company’s CEO serves as a clear example of the burden such a development places on the corporate conscience, as well as the reputation built over a long period of time. Nugent referred to the development as the company’s “worst, worst nightmare”, emphasizing that over the last ten years *Jack in the Box* had sold over 400 million pounds of hamburger safely, but “then bang, it hits you” (“COMPANY NEWS”, 1993). Apart from a substantial drop in sales and the stock value of *Jack in the Box* parent company *Foodmaker Inc.* falling by more than 30% (“Another Suit For Foodmaker”, 1993), the fast-food chain was also targeted by anonymous callers accusing it of being “baby killers” (“COMPANY NEWS”, 1993).

By February 1993 more than 400 E. coli infection cases linked to food consumption at *Jack in the Box* restaurants had been reported by the DOH. Eventually, the crisis resulted in 708 confirmed illnesses and 4 fatalities of individuals, who had eaten at 73 different *Jack in the Box* restaurants in the U.S. states of California, Washington, Idaho and Nevada (“Jack in the Box”, 1993).

## **4.2. Reputational threat**

As previously noted, reputational threat is generated by stakeholders’ attributions of initial crisis responsibility to a company. Initial crisis responsibility refers to the company’s personal control over the crisis and can be determined via judging on the type of the crisis that the respective company is facing. Type of the crisis refers to the way in which stakeholders have framed or, in other words, interpreted the crisis (“Crisis Management and Communications”, 2014). It can be argued that in the case of the 1993 *Jack in the Box* E. coli outbreak stakeholders’ interpretations of the crisis were largely shaped by the findings of the DOH and the reporting on those findings

by the media. Among the stakeholders there were the families and friends of the victims, *Jack in the Box* customers and business partners, the media as well as the general public, who were following the development of the outbreak of the food-borne disease on a daily basis.

According to the DOH, contamination of the meat products had taken place at the time of the slaughter, most likely, due to a contact between the meat and animal faeces (“COMPANY NEWS”, 1993). While this finding created space for blame games between *Jack in the Box* and its meat supplier company *Vons*, it has to be argued that the blame was eventually shifted back to *Jack in the Box*, following another essential finding by the DOH. While no issues were found by the officials with regard to the refrigeration and transportation processes of the meat products to *Jack in the Box* distribution centres, the findings indicated that the bacteria could have been killed if the meat was cooked at a higher internal temperature (Sugarman, 1993).

In May 1992 the U.S. Food and Drug Administration (FDA) had introduced a new state standard for cooking ground beef to an internal temperature of 155°F (68.333°C) for a minimum time of 2 minutes and 15 seconds (Sugarman, 1993). According to the president of *Jack in the Box*, the company had been unaware of the increase in the required cooking temperature and was preparing its beef products according to the previous federal standard of 140°F (60°C) for 2 minutes (Sugarman, 1993). Non-compliance with the state rules can therefore be seen as generated by corporate negligence. The legal principle “*Ignorantia juris non excusat*” or “*Ignorance of the law is no excuse*” (“*Ignorantia Juris Non Excusat*”, n. d.) leads to a conclusion that the public health crisis was generated by an organizational misdeed, which, according to the SCCT, falls into the intentional crisis cluster. The outbreak of the food-borne disease could have been prevented if *Jack in the Box* had adhered to the food safety requirements introduced by the FDA.

As the respective crisis falls into the intentional crisis cluster, it can be argued according to the framework of the SCCT, that stakeholders were attributing a high level of initial crisis responsibility to *Jack in the Box*. The attributions became particularly severe, when it was revealed that besides the inappropriate cooking temperature, the restaurants had been overwhelmed by the number of customers prior to the outbreak of the food-borne disease, resulting in the food products not being

cooked long enough to kill the bacteria, even according to the outdated federal standard of 140°F (Green, 2001).

This was the first outbreak of a food-borne disease experienced by *Jack in the Box* and its parent company *Foodmaker Inc.* It can therefore be concluded that crisis history did not serve as an intensifying factor of the reputational threat posed by the crisis. Assessing the prior reputation of *Jack in the Box*, which serves as the other intensifying factor of the reputational threat identified by the SCCT, one has to address a particular controversy, which relates to the American beef imports from Australia and dates back to 1981. At the time the United States were importing about 7% of its beef production, with more than a half coming from Australia (“Australian Meat Will Be Inspected”, 1981).

The United States Department of Agriculture (USDA) first discovered horse meat, which was imported from Australia and labelled as beef, at the San Diego processing plant. This plant was particularly supplying restaurants of the *Jack in the Box* fast-food chain. It was later discovered that the mislabelled meat had also been shipped to other processors throughout the United States. Furthermore, the Australian authorities discovered presence of kangaroo meat in some of the beef shipments destined for the United States.

While food security inspections for beef imports in the U.S. were strengthened following the discoveries, the American officials acknowledged that they were “pretty certain” Americans had consumed meat imported from the suspected Australian plant in the past (“Australian Meat Will Be Inspected”, 1981). Even though *Jack in the Box* argued that horse meat had never been detected in either of its restaurants, this argument did not find complete public confidence, generating a still existing myth of *Jack in the Box* serving kangaroo meat (“Australian Meat Will Be Inspected”, 1981). Based on Benoit’s (1997) argument that stakeholders’ perceptions are more important than reality, one can thus argue that the reputation of *Jack in the Box* was at risk in light of the rumours.

While within the context of communication studies public memory has been seen as a dynamic, complex and often conflicted, socially constructed concept (Halbwachs, 1992), it can be argued that the 1981 beef import controversy had its repercussions in the public memory, when food quality issues related the food items

served at *Jack in the Box* were once again raised in 1993. The media reminded the audience about the 1981 San Diego processing plant discoveries in the wake of the *Jack in the Box* E. coli outbreak. Therefore, it can be concluded that the prior reputational damage served as an intensifying factor of the reputational threat faced by the company in midst of the 1993 corporate and public health crisis.

### 4.3. Crisis response strategies

According to the framework of the SCCT, companies are advised to employ *rebuild* crisis response strategies in addition to base response, when faced with strong attributions of crisis responsibility (“Crisis Management and Communications”, 2014). One would therefore expect *Jack in the Box* to issue a public apology and/or a pledge of compensation for the victims of the E. coli outbreak in addition to product recall, instructing information and care response as soon as the investigation results claiming the company’s responsibility for the crisis were made public by the DOH. However, as news about the escalating public health crisis broke out in the media, *Jack in the Box* chose a different strategy for handling the crisis primarily attempting to distance itself from the unfolding events and trying to protect its corporate reputation via *deny* crisis response strategies.

Following the initial public announcement of the DOH regarding the link between the E. coli outbreak and *Jack in the Box*, the company’s management chose to remain silent, refusing to comment on the escalating situation (“COMPANY NEWS”, 1993). While such an approach appears to be logical from the legal standpoint of not wanting to accept one’s fault, Hearit (1994) argues that remaining silent during a crisis is seen as being too passive, which in turn indicates that the company is not in control of the situation and does not care how it is being perceived by its stakeholders. Lack of communication during the onset of a crisis with the respective company not presenting its own side of the story, gives the opportunity for its stakeholders, including the media, to interpret the crisis in their own way, which can eventually lead to an increased reputational threat and financial loss (“Crisis Management and Communications”, 2014).

*Jack in the Box* parent company *Foodmaker Inc.* took the initial crisis response steps two days after the public announcement by the DOH in a form of a voluntary product recall, instructing information and care response (Altman, 1993). It has to be argued that with regard to an outbreak of a food-borne disease the quickness and accuracy of a crisis response are of a vital importance, as a slow and inaccurate response can increase the number of victims and potential fatalities. Taking into account the seriousness of the situation, it has to be noted that the response of *Jack in the Box* was considerably delayed in a situation, which required an immediate and decisive action. The delay is evidenced by the initial crisis response guidelines, which suggest that crisis managers should provide a response in the first hour after the crisis occurs (“Crisis Management and Communications”, 2007). Furthermore, it can be argued that via delaying its crisis response in a situation of uncertainty and stakeholder pressure *Jack in the Box* also gave up on the opportunity of employing external crisis communication as its first line of defence.

Refusing to accept blame for the situation, the management of *Jack in the Box* argued that they were not solely responsible for the crisis. They claimed that not all of the victims of the food-borne disease had eaten at *Jack in the Box*, and that those were other restaurants that could potentially be responsible for the outbreak (“COMPANY NEWS”, 1993). While theoretically such an argument could not be disregarded at the time, *Jack in the Box* clearly excluded the possibility of a secondary infection, with the E. coli bacteria being passed from an infected individual to another person, who not necessarily had to be in contact with the primary source of contamination to get infected.

The crisis response employed by *Jack in the Box* reflects the argument made by Ulmer et al. (2010), who acknowledge that shifting blame to another organization is often a more effective strategy than simply denying responsibility for the crisis. Instead of simply saying “we did not do it”, *Jack in the Box* found an outside agency in the form of other restaurants that were used as a scapegoat in the initial crisis communications by the company. Via placing the blame on an outside agency *Jack in the Box* attempted to shield its reputation by heightening the uncertainty of who was actually responsible for the crisis. However, the *deny* crisis response strategies employed by *Jack in the Box* were not limited to denial and *scapegoating*, they also incorporated the *attack the accuser* strategy.



*Scapegoating* or shifting the blame was employed by *Jack in the Box* throughout multiple stages of the crisis. Besides the initial attempt to shift blame for the outbreak to other restaurants, *Jack in the Box* also employed the strategy of *scapegoating* following the publication of the findings of the DOH, which suggested that contamination of the meat had taken place at the time of slaughter, most likely, as a result of a contact between the meat and animal faeces.

In a written statement *Jack in the Box* President Robert Nugent denied the company's responsibility for the contamination as well as the illnesses, arguing that the hamburger patties had already been contaminated before they reached the fast-food restaurant chain ("Boy Dies in a Bacterial Outbreak", 1993). At a press conference on January 21<sup>st</sup>, 1993 he stated that the investigation at *Jack in the Box* had traced the source of the contaminated burger to a single supplier. He then publically blamed the chain's meat supplier company *Vons* for supplying the restaurants with contaminated meat and argued that the company should take responsibility for the crisis (Sims, 1993). *Vons* was eventually sued by *Foodmaker Inc.* and dropped as *Jack in the Box* meat supplier ("Last Patient", 1993).

*Vons* however refused to accept blame for the crisis and referred to the findings of the DOH regarding the inappropriate cooking temperature of the beef patties at *Jack in the Box*, which prevented the killing of the *E. coli* bacteria (Egan, 1993). *Jack in the Box* initially responded with an *attack the accuser* strategy arguing that they were in compliance with the state rules regarding the cooking temperature, and that *Vons* was the party at fault. However, once information about *Jack in the Box*'s non-compliance with the new FDA state standard for cooking beef products at 155°F appeared, the company argued that it was preparing the hamburger patties according to the federal standard of 140°F (McCarthy, 1993). *Jack in the Box* President Robert Nugent claimed that the company had been unaware of the required increase in the cooking temperature, introduced in May 1992 (Egan, 1993). Following this statement *Jack in the Box* once again resorted to the use of the *scapegoating* strategy.

Nugent blamed the DOH for a failure to inform *Jack in the Box* about the changes in the required cooking temperatures, arguing that the restaurant chain had not received the relevant information from the state officials (Bryant, 1993).

Furthermore, he argued that the effectiveness of the USDA meat testing procedures was insufficient and called for the USDA and the U.S. Federal Government to take responsibility for the crisis (Egan, 1993). While these serve as clear examples of the *scapegoating* crisis response strategy, Coombs et al. (2016) emphasize the requirement for the respective company to actually not be responsible for the crisis in order for *deny* crisis response strategies to be effective.

*Jack in the Box* was forced to adjust its crisis response strategies, when an internal investigation found that the fast-food restaurant chain had not acted upon the instructions of the DOH and the FDA. It was discovered that both, *Jack in the Box* and *Foodmaker Inc.*, had been informed about the required cooking temperature changes on multiple occasions. Three weeks after the start of the crisis Nugent admitted being informed about the new standard (Bryant, 1993). Furthermore, evidence revealed that an employee of *Jack in the Box* had contacted the management of *Foodmaker Inc.* prior to the outbreak of the food-borne disease, urging the company to increase the cooking time of the beef patties due to customer complaints. In their response to the concerns of the employee, the management of *Foodmaker Inc.* had refused to introduce any changes regarding the cooking time or temperature, as they believed that it would make the hamburger patties “tough” (Goodman, 1994).

The company had knowingly chosen to ignore the new standards set forward by the FDA, thus, risking with consumers’ health and well-being. This decision serves an example, of what Ulmer et al. (2010), refer to as an organization knowingly causing or allowing a crisis to occur. Subsequently, it can be argued that moving beyond the crisis would be critically complicated for *Jack in the Box* due to stakeholders’ perceptions of the company’s business practices as unethical and irresponsible. It can be argued that *Jack in the Box* became aware that the possibilities of the *deny* crisis response strategies were exhausted, thus shifting towards the use of *rebuild* crisis response strategies once their responsibility for the crisis became indisputable.

At this stage of the crisis *Jack in the Box* attempted to repair its reputational damage via placing emphasis on corrective action at the organizational level, as well as an apology and compensation at the consumer level. While the contaminated meat had been destroyed by the company during the voluntary product recall (“Boy Dies in

a Bacterial Outbreak”, 1993), which was part of the base response, Nugent announced that *Jack in the Box* had replaced all beef patties in all of their restaurants in Washington and Idaho.

Furthermore, the company dropped its criticism of the DOH and announced that it would increase the cooking time and temperatures, exceeding the new FDA state standard. Recruiting scientific experts to oversee product quality and introducing new safety measures, *Jack in the Box* attempted to regain public confidence in the brand. Furthermore, the company pledged to compensate the medical costs of the victims (“Jack-In-The-Box Says It Will Pay”, 1993). A special telephone hotline was introduced to answer the questions of those concerned and a large-scale advertising campaign informed the company’s stakeholders about a number of new procedures that *Jack in the Box* was adopting to ensure product quality (Sims, 1994).

#### **4.4. Reputational relation**

Examining the reputational effect of the crisis response strategies adopted by *Jack in the Box*, a line has to be drawn between the short-term and long-term effects faced by the company. As previously described, initially *Jack in the Box* was reluctant to engage in public discussion about its suspected responsibility for the crisis and avoided presenting its own side of the story about the escalating situation to the media. The “no comment” approach was then followed by the use of *deny* crisis response strategies at multiple stages of the crisis. Eventually, when the company’s organizational misdeed and responsibility for the crisis became indisputable the company adjusted its crisis response and resorted to the use of *rebuild* crisis response strategies.

While keeping silent in the wake of a crisis is understandable from the legal point of view of not wanting to accept one’s fault, it has to be argued that it is a hazardous decision from the perspective of reputation management. When faced with a reputational threat, it is in the company’s own interest to draft a rapid response and to actively engage in communication with the media in order to present the public with a certain framing of the crisis. This allows preventing unfavourable interpretations of the crisis by the company’s stakeholders, which could potentially

threaten to aggravate the reputational damage and financial loss. Furthermore, corporate passiveness and disengagement in the wake of a crisis creates the perception that the company lacks control or perhaps has something to hide.

The lack of communication and public assurance of food safety at *Jack in the Box* restaurants resulted in the company rapidly losing its customers. While the CEO of *Jack in the Box* argued that the company had not wanted to speculate until the test results were received (Porterfield and Berliant, 1995), the decision to wait with regard to crisis communications allowed the company's stakeholders to jump to conclusions about the crisis and to create reputational opinions about the corporate values of *Jack in the Box*. Stakeholders emotions were thus reflected in their purchase intentions. The company experienced a 37% loss of sales during the first weeks of the crisis (Rivera Brooks, 1993a), while its stock value fell by 28.5% (Levine-Weinberg, 2015). *Jack in the Box* parent company *Foodmaker Inc.* lost 30% of its stock value and the uncertainty with regard to the escalating situation prompted the U.S. Securities and Exchange Commission (SEC) to temporarily suspend trading of the stock ("COMPANY NEWS", 1993). It has to be argued that besides the *deny* crisis response strategies it was also the lack of immediate response that contributed to the reputational damage of *Jack in the Box* in the wake of the 1993 E. coli outbreak.

Employing the *deny* crisis response strategies and particularly attempting to shift the blame for the crisis to outside agencies, such as other restaurants, its meat supplier company *Vons* as well as the state food security institutions, *Jack in the Box* attempted to distance itself from the crisis. However, this particular case provides evidence for the argument of Coombs et al. (2016), who argue that *deny* crisis response strategies should only be employed when the company is actually not responsible for the crisis. While in the short-term *Jack in the Box* managed to heighten the public uncertainty, with regard to which of the companies and state institutions were actually responsible for the outbreak, it suffered major reputational damage following the discovery that the company had been aware of the new FDA standard, knowingly choosing to ignore it and thus risking with health and well-being of its customers. With the adopted *deny* crisis response strategies seen as an unsuccessful attempt to escape responsibility for the crisis, business practices of *Jack in the Box* were generally regarded as irresponsible and unethical by its stakeholders. Comparing

to the second quarter of 1992, sales of *Jack in the Box* parent company *Foodmaker Inc.* fell by 15.6% in the same quarter of 1993 (“Jack in the Box Parent”, 1993).

While from the theoretical perspective it can be argued that the company initially addressed the reputational threat in the short-term, failing to recognize that crisis management should be viewed as a long-term process, it managed to adjust the perspective in the long-term. Via shifting the blame to the state food security institutions and attempting to portray the respective outbreak as a system-wide crisis rather than a crisis limited to one restaurant chain, *Jack in the Box* laid a profound foundation for its reputational rebound. Calling for the introduction of new food safety procedures, the company started its way on becoming a powerhouse in the food safety industry. It introduced a set of internal food quality oriented procedures, such as the Hazard Analysis and Critical Control Points (HACCP) system that were later adopted by other companies operating in the American food industry (Larson Bricher, 2007). Organizational learning resulting from the “near death experience” of *Jack in the Box* allowed it to regain public confidence and to re-establish its damaged reputation.

Therefore, it has to be argued that even though *deny* crisis response strategies can generate potential reputational damage in case the respective company is proven to be at fault at a later stage of the crisis (Coombs et al., 2016), *scapegoating* can also serve as a rudiment for positive reputational outcomes in the post-crisis stage. This is however true under the conditions that the respective company timely adopts *rebuild* crisis response strategies in order to reconcile with its stakeholders, and has the capacity and necessary resources to change its corporate culture to become a leading force in the advancement of the respective industry.

While it can be argued that the management of *Jack in the Box* and *Foodmaker Inc.* saw this crisis as an opportunity to re-establish their corporate culture, it took time and effort to fully recover from the crisis. The initial signs of recovery were identified by the company in March 1993 with sales gradually improving if compared to the 37% downfall in the wake of the crisis (Rivera Brooks, 1993). While in the fiscal year of 1993 *Jack in the Box* had experienced an annual decline in sales amounting to 7.4%, the 1994 fiscal year saw the company posting a 2.7% sales increase (Levine-Weinberg, 2015).

Recovery of *Jack in the Box* reputation strength was further signified in 1999, when its parent company *Foodmaker Inc.* changed its own name to *Jack in the Box Inc.* and replaced its NYSE ticker symbol to JBX (“Foodmaker Name Change”, 1999). The case of *Jack in the Box* serves as evidence for the argument made by Hearit (2006), who notes that via successful crisis management a company can extricate itself from the crisis and repair its reputational damage, even becoming a leader of the industry. As of 2018, the company has been operating for 67 years and is currently one of the largest fast food chains in the U.S.

## 5. Odwalla E. coli Outbreak (1996)

### 5.1. Case description

Founded in 1980 in Santa Cruz, California, *Odwalla* is an American food producing company. Started as a small local business delivering freshly-squeezed orange juice to the local restaurants, *Odwalla* was incorporated in 1985. With consumers becoming increasingly attentive with regard to product quality, one of the main reasons for the success of the fast growing company was its production of unpasteurized fresh juice. This type of juice was generally regarded to be more healthy and rich in terms of taste, nutrients and enzymes by the company's stakeholders than that of *Odwalla's* competitors. By 1996 the company was supplying 4000 locations in seven states and its revenue amounted to 59.2 million dollars ("Odwalla Inc., History", n. d.). With *Odwalla* chairman Greg Steltenpohl revealing the company's objective to become a leader of the "fresh beverage revolution", it was estimated that the company would reach 100 million dollars in sales by 1999 ("Odwalla Inc., History", n. d.). This ambition was however undermined by a major corporate and public health crisis that emerged in 1996, when an outbreak of E. coli bacteria killed one and sickened 70 more individuals.

The triggering event of the crisis (Barnett et al., 2006) was a notification of the Washington State Department of Health (DOH) received by *Odwalla* on October 30<sup>th</sup>, 1996. Washington health officials informed *Odwalla* about an established link between an outbreak of the E. coli bacteria and a batch of fresh apple juice produced by the company on October 7<sup>th</sup>, 1996 ("Bacterial Ailment Traced", 1996). This link was confirmed by laboratory test results, which indicated two probable sources of contamination. The contamination could have occurred either as a result of using highly decayed fruit for juice extraction or using fallen apples, known as "grounders", which had not been properly cleaned after being in contact with animal faeces (Drew and Belluck, 1998).

## 5.2. Reputational threat

Once information about the link between the outbreak and *Odwalla* apple juice was made public by the DOH, attributions of initial crisis responsibility were subsequently directed at *Odwalla* by its stakeholders. The contamination came as a surprise for the company, as *Odwalla* officials had not been aware that the E. coli bacteria could survive and grow in the acidic environment of apple juice. Chairman of the company explained that *Odwalla* had not performed tests for determination of the respective bacteria in its apple juice, because it had relied on evidence suggesting that the bacteria were not found at that acid level (Drew & Belluck, 1998).

Even though pasteurization had been a standard practice in the juice production industry for several years, *Odwalla* objected to it, arguing that pasteurization altered the freshness of the juice, as well as made the juice lose the nutrients and enzymes that could only be found in freshly-squeezed unpasteurized juice (“Questions of Pasteurization Raised”, 1996). Chairman of the company Steltenpohl described the business idea behind production of *Odwalla* juice as “if it’s not freshly squeezed, then it’s not part of *Odwalla*” (Drew & Belluck, 1998). While this statement clearly describes the corporate image (Gray and Balmer, 1998; p. 696) that *Odwalla* desired to uphold, it has to be argued that the corporate identity indirectly contributed to the onset of the bacterial outbreak.

Instead of pasteurization, *Odwalla* relied on the method of acid-washing before processing the fruit. This method was however considerably less effective with regard to killing of the E. coli bacteria. It was revealed that *Odwalla*’s chemical supplier had previously informed the company about the fact that acid-washing had killed the E. coli bacteria in only 8% of the laboratory test results, and that this method should not be employed without chlorine (Drew & Belluck, 1998). *Odwalla* objected to the usage of chlorine on the grounds that the chemical element could potentially alter the aftertaste of the juice. It has to be emphasized that in case pasteurization is not employed for killing the bacteria, it is of a vital importance to have a proof set of alternative safety standards to ensure the quality of the respective product.



The initial crisis responsibility attributed to *Odwalla* by its stakeholders was further enhanced, when news broke out in the media that the company had relaxed its safety standards in the weeks leading up to the outbreak. Even though the company denied these claims, it acknowledged the fact that its safety procedures had failed at detecting the *E. coli* bacteria (Drew & Belluck, 1998). A following investigation revealed significant flaws in *Odwalla's* safety procedures, including ignorance of basic safety precautions and poor maintenance of its citrus-processing equipment.

The outbreak could have been prevented, if *Odwalla* had employed the industry-accepted practice of juice pasteurization or if it had had adequate safety procedures in place for detection of the *E. coli* bacteria. While aware of the public health risks presented by insufficiencies in its safety procedures, *Odwalla* had knowingly objected to the use of pasteurization and denied the usage of chlorine for acid-washing of the fruit, recommended by its chemical supplier. According to the framework of the SCCT, the crisis thus falls into the intentional cluster. With the aforementioned organizational misdeeds brought to the media spotlight, *Odwalla's* stakeholders were attributing a high level of initial crisis responsibility to the company.

The reputational threat faced by the company was furthermore aggravated, when a one-year old girl died from kidney failure as a result of the *E. coli* infection, contracted via drinking the *Odwalla* apple juice. The burden that this development placed on the company was captured in the statement of *Odwalla* chairman Steltenpohl, who argued that children's health problems were the worst thing that could happen to a company ("Odwalla Inc., History", n. d.).

With regard to the intensifying factors of the reputational threat faced by *Odwalla*, it has to be noted that this was the first time the company experienced such a corporate and public health crisis. Therefore, crisis history did not serve as an intensifying factor of the reputational threat generated by the *E. coli* outbreak. However, it was not the first time issues regarding food quality emerged as a result of lack of juice pasteurization at *Odwalla*. According to company documents reviewed by *The New York Times*, *Odwalla* had been battling with emergence of bacteria in its products since 1993, when it opened a processing plant in Dinuba, California (Drew & Belluck, 1998).

At that time laboratory tests had indicated high levels of general bacteria, yeast and mold in *Odwalla's* juices that could potentially cause them to spoil. According to the chairman of *Odwalla* Greg Steltenpohl and the company's CEO Stephen Williamson, the company had spent several millions of dollars on upgrading its safety infrastructure, subsequently reducing the counts of bacteria "to relatively low levels" (Drew & Belluck, 1998). In 1995 low levels of listeria monocytogenes were found in *Odwalla's* apple and orange juice. While sale of products containing a strain of listeria is prohibited by the U.S. federal law, *Odwalla* argued at the time that the levels of the pathogen, which is particularly harmful for pregnant women, were too low to cause any health risk (Drew & Belluck, 1998). The aforementioned considerations lead to a conclusion that prior reputation issues served as an intensifying factor of the reputational threat faced by *Odwalla* in light of the 1996 E. coli outbreak.

### **5.3. Crisis response strategies**

As previously noted, the SCCT posits that, when faced with strong attributions of crisis responsibility, crisis managers should supplement the base response to a crisis with an apology and/or compensation. This recommendation reflects the strategy selected by *Odwalla* in response to the 1996 E. coli outbreak. Employing the most accommodating crisis response to the victims of the crisis, the company attempted to communicate that the safety and well-being of its stakeholders was more important than its organizational concerns.

Following the announcement of the DOH in a news conference about the established link between an E. coli outbreak and *Odwalla* apple juice, the company was quick to appear on the public stage. In only 23 minutes following the announcement *Odwalla* published its first press release regarding the outbreak via PR Newswire. The timing of the response corresponds to the initial crisis response guidelines, which state that crisis managers should provide a response in the first hour after the crisis occurs ("Crisis Management and Communications", 2007).

Announcing a recall of all fresh apple juice and providing information about its possible link to the E. coli outbreak, *Odwalla* fulfilled the first part of base

response, namely, provision of instructing information. In a follow-up the company turned to care response and pledged that additional media updates would follow and concluded with a quote of its CEO Stephen Williamson, saying that the primary concern of the company was “the health and safety of those affected” (“Odwalla Issues Product Recall”, 1996). From the theoretical perspective this serves as an example of a timely and thoughtful crisis response, which leads to a conclusion that the company had viewed crisis management as a long-term process, systematically preparing (Pearson and Clair, 1998; p. 61) its tactics for addressing potential crisis situations prior to the actual E. coli outbreak.

The voluntary recall of all apple juice, which accounted for a tenth of the company’s revenues, was started on the same day following the announcement of the DOH. The recall was completed in 48 hours, costing the company around 6.5 million dollars (“Juice Maker Completes Recall in E. Coli Case”, 1996). The recall of all apple juice was then followed by a voluntary recall of all carrot juice, which had been processed on the same line as the apple juice (“Juice Suspected in Infant’s Death”, 1996). While these initial steps primarily focused on the physical protection of consumers from exposure to the E. coli bacteria, the company further also addressed the other part of base response to the crisis, namely, care response.

A toll-free hotline was established to answer questions of those concerned, while two Internet websites were created to communicate the relevant information about the outbreak, health problems caused by the E. coli bacterial infection as well as the corrective action undertaken by *Odwalla*. Information regarding these issues was also provided via daily press briefings. While in the nowadays information environment Internet plays a crucial role in crisis communication (Bucher, 2002), it has to be argued that in 1996, when the respective crisis took place, it was still in its early developmental stages. It can thus be argued that *Odwalla* took an innovative approach in its crisis communication efforts, which could not have been possible without thoughtful pre-crisis planning.

In the wake of the outbreak *Odwalla* accepted full responsibility for the crisis, offering refunds for those who had purchased the apple juice and paying the medical costs of those sickened as a result of the juice consumption (Gallagher, 1998). These steps correspond to the argument made by Lee and Chung (2012), who note that

organizations should always take the high road by accepting crisis responsibility. Chairman of the company Greg Steltenpohl personally visited the affected families, apologizing for the company's role in the outbreak. While Hearit (2006) sees apology as a ritually constructed communication exchange through which a company can deal with the problem of guilt and restore social order, it has to be argued that actions speak louder than words, and thus apologies only work if they are followed by concrete action. In August 1998 *Odwalla* pleaded guilty, agreeing to pay a fine of 1.5 million dollars for the 1996 E. coli outbreak ("NATION IN BRIEF", 1998).

While *Odwalla* Director of Communications explained that the company had continuously upgraded its manufacturing process in the period leading up to the recall (Drew & Belluck, 1998), chairman Steltenpohl announced the company's plans either to adopt "some form of heat treatment" or pasteurize its apple juice in the future once the production would be resumed ("Juice Maker to Pasteurize", 1998). His announcement was followed by a call for other juice producing companies to stop selling fresh, unpasteurized apple juice until a scientifically proven way to produce the juice safely was found. *Odwalla* referred to the E. coli outbreak as an industry-wide problem, rather than a problem limited to one producer (Drew & Belluck, 1998).

#### **5.4. Reputational relation**

Assessing the reputational effect of the crisis response strategies adopted by *Odwalla*, one has to distinguish between the short-term and long-term effects experienced by the company. Adopting the *rebuild* crisis response strategies of apology and compensation, the company attempted to regain credibility and retain consumer loyalty via a proactive and open approach to the crisis. Even though the adopted crisis response strategies did not shield *Odwalla* from reputational damage in the short-term, they certainly enabled the company to weather the consequences generated by the crisis in the long-term.

Regardless of *Odwalla's* immediate response to the crisis, that appeared to follow the guidelines set out by the SCCT, the company's sales dropped by 90% in the immediate wake of the crisis (Thomas, 2017). This fact can partly be explained as a consequence of the major product recall undertaken by *Odwalla*. However, it also

signified the inability of *Odwalla's* base response and *rebuild* crisis response strategies to generate a positive reputational outcome. Due to the plunge in sales and the uncertainty with regard to the future of the company, *Odwalla's* stock value fell by 40%. At the end of the fiscal year, in February 1997, the company recorded a loss of 11.3 million dollars. *Odwalla* was forced to downsize its workforce by 10%, and it appeared that the reputational damage suffered by the company could eventually lead to bankruptcy (“History of Odwalla, Inc.”, n. d.).

Despite the initial struggles, *Odwalla* was able to recover from the crisis, regaining the support of its stakeholders. In the first quarter of fiscal year 1999 the company's sales grew by 8%, compared to the same period the previous year. The second and third quarter of the fiscal year saw sales growth of 15% and 24%, indicating a continuing momentum of growth (“Odwalla Sales Increase 24%”, 1999). Due to the success of its crisis response efforts the company was voted “Best Brand” by the readers of San Francisco Magazine in 1998, just two years after the start of the crisis (Gallagher, 1998a). The same year *Odwalla's* revenue grew by 12%, amounting to 59.1 million dollars. In the third quarter of 1997 the company had announced that it was profitable again, recording a profit of 140,000 dollars compared to a 1.8 million dollars loss during the same period in the previous year. In 1999 the company's revenue reached 67 million, considerably surpassing the pre-crisis levels (“History of Odwalla, Inc.”, n. d.).

It has to be argued however that the success of *Odwalla's* crisis response was not limited solely to the *rebuild* crisis response strategies of apology and compensation. Referring to the E. coli outbreak as “one of the least understood currents in food safety” (Drew & Belluck, 1998), the company's management attempted to portray the crisis as an industry-wide problem. Even though these attempts were initially met with a strong resistance from other producers of fresh apple juice (Skrzycki, 1998), *Odwalla's* strategy was successful in initiating an industry-wide change. As for example, the FDA forbade using fallen apples for juice production. Similarly, it considered making pasteurization of apple juice mandatory, but settled for an alternative, which required producers of fresh, unpasteurized apple juice to place consumer warning labels on the bottles, providing information about the probable health risks (Burros, 1998).

Furthermore, the recovery of *Odwalla's* reputation was signified by a targeted market expansion. The company entered the markets of Philadelphia and Washington DC, followed by a further expansion into the markets of Chicago, Detroit, Minneapolis and Phoenix. However, the market expansion was not only limited to the geographical dimension. It also incorporated the introduction of new products and safety procedures. Besides a pasteurized version of its previously unpasteurized drinks, the company introduced a new product line of liquid lunch and energy bars. *Odwalla* also advertised its new safety procedures, such as, flash pasteurization, establishing itself as a powerhouse in safety of the juice production industry (“Odwalla Introduces Flash Pasteurized”, 1999).

As emphasized by the company's CEO Stephen Williamson, “*Odwalla* didn't survive by accident” (Barron Stark, 2013). While based on the view of Fombrun (1996) one can argue that *Odwalla's* survival was partly facilitated by the company's strong reputation prior to the crisis, the recovery of the company was generally enabled by a targeted crisis response. The adopted crisis response strategies did not shield *Odwalla* from reputational damage in the short term, however, they allowed the company to repair its damaged reputation in the long-term. Presence of effective crisis management planning, addressing all the phases and steps involved in the crisis management process (Mitroff et al., 1987), allowed the company to manage the crisis effectively. Strength of the brand was explicitly evidenced in 2001, when *Odwalla* was purchased by the American multinational beverage corporation *The Coca-Cola Company* for 181 million dollars or 15.25 dollars per share (“Coke Buys Odwalla”, 2001).

## 6. Peanut Corporation of America Salmonella Outbreak (2008-2009)

### 6.1. Case description

*Peanut Corporation of America (PCA)* was an American peanut-processing company. Founded in 1977 as a family business in Virginia, by 2007 the company had become a significant player in the U.S. peanut industry, operating processing facilities in three states, namely, Georgia, Virginia and Texas. *PCA* was supplying various food manufacturers as well as institutions, such as restaurants, schools, nursing homes and prisons with peanut and peanut butter products (Severson, 2009). By 2007 the business accounted for approximately 2.5% of all the processed peanuts in the U.S., with the annual sales of the company amounting to 25 million dollars (Johnson and Weise, 2013). Growth of the company was however halted by a multistate outbreak of salmonella, which lasted from September 2008 to April 2009.

What can be referred to as the triggering event (Barnett et al., 2006) of the crisis faced by *PCA*, was an alert from the Centres for Disease Control and Prevention (CDC) on January 4<sup>th</sup>, 2009. The federal agency had identified peanut butter as a likely source of a salmonella outbreak, which had been ongoing since September 2008 (“Source of Salmonella Is Confirmed”, 2009). The allegations were confirmed by an investigation of the Minnesota Department of Health (MDH), which managed to isolate the salmonella pathogen from an open container of *King Nut* creamy peanut butter. The revelation was followed by an investigation of the U.S. Food and Drug Administration (FDA) at the *PCA* Georgia facility, where the peanut butter had been produced (“Warning Is Issued”, 2009).

While September 2008, when the first illness was reported, marked the beginning of the salmonella outbreak, it has to be noted that the starting point of the organizational crisis faced by *PCA* was January 4<sup>th</sup>, 2009. The time difference of four-months can be explained by the fact that during the time period food safety officials were focused on tracing the source of the outbreak, with names of probable culprit companies yet unknown. The outbreak resulted in 714 confirmed illnesses and 9 fatalities, however, the estimates of CDC officials indicated that the actual number of victims was likely to be higher due to the fact that for every one case of salmonella

confirmed by laboratory tests, there are about 30 more illnesses that remain unreported (“Foodborne Illnesses and Germs”, n. d.).

## 6.2. Reputational threat

Stakeholders’ attributions of initial crisis responsibility to *PCA* began, when the information regarding its suspected peanut processing facility in Georgia, was made public by food safety officials. Following an investigation the FDA confirmed peanut butter and peanut paste, produced by *PCA* as the sources of the multistate salmonella outbreak on January 21<sup>st</sup>, 2009 (“Source of Salmonella Is Confirmed”, 2009).

Initially, the investigation focused on holes in the safety net of *PCA*’s processing plant that enabled the salmonella outbreak. Investigators found that the plant had a leaky roof and collected evidence regarding presence of insects, roaches and rodents in the plant. While water is known to support the growth of salmonella bacteria (Moss, 2009), the common source of contamination is animal faeces, which have been in contact with the respective food product. The leaky roof enabled entrance of bird faeces in areas of production, where raw peanuts had been improperly stored next to the finished peanut butter (Moss, 2009). While these safety flaws, disregarded by *PCA*, already signified the company’s personal control over the crisis, they represented just one element contributing to the outbreak of salmonella.

In addition to the poor sanitation conditions, *PCA* was found to have knowingly and repeatedly shipped potentially contaminated products to its customers. FDA found that in 2007 and 2008 the company had knowingly shipped its products at least 12 times following the receipt of positive test results for salmonella contamination (Gardiner, 2009). *PCA* had also supplemented untested products with falsified certificates of analysis, which suggested that the products were free of salmonella bacteria (Goetz, 2013).

E-mails recovered from the company’s CEO Stewart Parnell indicated that the company received positive test results for salmonella on a regular basis. In such cases *PCA* had relied on the method of re-testing, sending samples of its products to other laboratories after the initial tests had turned out to be positive. Such practice without



cleaning up the plant following the receipt of salmonella-positive test results is illegal (Gardiner, 2009). Once favourable test results were obtained, the company shipped the products to its customers. The organizational misdeeds signify systematic mismanagement that raises questions about the corporate identity of the company or as argued by Barnett et al. (2006) - “what the firm actually is” (p. 34).

Corporate negligence and organizational misdeeds were explicitly demonstrated by e-mails recovered from the company’s CEO. Fearing production loss, he had urged Georgia plant manager not to waste peanuts and ship them before the receipt of test results. CEO argued that the salmonella-positive test results cost the company money and caused a huge lapse in time till the company could finally “invoice” (Gardiner, 2009a). Even after *PCA* had been identified as the source of the salmonella outbreak, CEO of the company wrote to the FDA, pleading the federal agency to allow at least “to turn the raw peanuts on our floor into money” (Gardiner, 2009a).

The aforementioned considerations serve as a clear example of organizational concerns being valued higher than public safety. Knowingly putting the health and well-being of its stakeholders at risk, *PCA* tried to maximize its financial gain. The crisis can therefore be seen as generated by an organizational misdeed and thus, according to the framework of the SCCT, falls into the intentional cluster. This cluster implies high attributions of initial crisis responsibility. It has to be argued that the respective crisis could have been prevented if *PCA* had ensured conformity with the necessary safety measures instead of resorting to unethical and irresponsible business practices.

With regard to the intensifying factors of the reputational threat faced by *PCA*, it has to be argued that it was the first time the company experienced an outbreak of a food-borne disease caused by its products. Therefore, it has to be argued that crisis history did not serve as an intensifying factor of the reputational threat faced by *PCA*. However, food quality issues and allegations of food safety violations had targeted *PCA* since as early as 1990, when the FDA discovered that the peanut butter produced by *PCA* exceeded the permitted level of aflatoxin (Layton and Miroff, 2009). This poisonous carcinogen can commonly be found in improperly stored staple foods and promotes the formation of cancer.

Furthermore, at the start of 2008 the Virginia Department of Health (VDH) had reported presence of bird and rodent faeces in the *PCA* processing plant in Virginia. The same year a batch of peanuts processed at the *PCA* plant in Georgia had been rejected by Canadian officials, who discovered presence of metal flakes in the product (Gardiner and Belluck, 2009). It can be argued that the aforementioned considerations served as prior reputation issues, which subsequently intensified the reputational threat faced by *PCA* in light of the 2008-2009 salmonella outbreak.

### 6.3. Crisis response strategies

According to the framework of the SCCT, when faced with strong attributions of crisis responsibility, a company should supplement the base response with *rebuild* crisis response strategies. One would therefore expect *PCA* to provide its stakeholders with instructing information and care response, issue a product recall, as well as provide an apology and/or compensation to the victims of the crisis. While *PCA* did execute the steps forming the base response, its choice of primary crisis response strategies differed from those suggested by the SCCT. Instead of adopting *rebuild* crisis response strategies, *PCA* generally resorted to the use of *diminish* crisis response strategies, namely, excuse and justification. As previously described, the main objectives of these strategies are reducing the perceived impact of the crisis and minimizing the company's responsibility for the crisis. ("Crisis Management and Communications", 2014).

With regard to the base response undertaken by *PCA*, it is of a major importance to consider its timeliness. *PCA* issued its first statement three days after the start of the FDA investigation at its processing plant in Georgia. Regarding the fact that MDH had already isolated the salmonella pathogen from an open container of peanut butter produced by *PCA* three days earlier, it can be argued that the initial crisis response of the company was considerably delayed. Taking into account the seriousness of the situation, *PCA* should have taken immediate and decisive action following the alert of MDH. According to the initial crisis response guidelines crisis managers are expected to provide a response in the first hour after crisis occurs ("Crisis Management and Communications", 2007). It can also be argued that via

delaying its crisis response *PCA* gave up on the opportunity of employing external crisis communication as its first line of defence in light of stakeholders' attributions of initial crisis responsibility to the company. The lack of timeliness and decisiveness in the crisis response by *PCA* was however not only limited to the base response. The "wait and see" approach (Beghetto, 2016; p. 3) characterized *PCA*'s response throughout the crisis.

While the first public statement of *PCA* CEO Stewart Parnell primarily addressed product recall, instructing information and care response, it also included an attempt to reduce the perceived impact of the crisis via a *diminish* crisis response strategy in the form of justification. *PCA* CEO Parnell announced that the company would voluntarily recall 21 lots of its peanut butter and peanut paste due to probable contamination. He also stated that the company was contacting its customers and noted that the safety of consumers was the company's "first priority" ("Nationwide Recall for Peanut Butter", 2009).

This part of the statement can be seen as a common example of base response to a crisis. The other part of the statement intended to minimize the perceived impact of the salmonella outbreak, with Parnell claiming that none of the recalled peanut products had been sold directly to consumers through retail stores ("Nationwide Recall for Peanut Butter", 2009). This serves as an example of the justification crisis response strategy with the crisis manager diminishing the perceived damage of the crisis.

The combination of product-recall and *diminish* crisis response strategies was utilized by *PCA* throughout multiple stages of the crisis. This was primarily due to the fact that *PCA* was reluctant to issue a product recall of all of its peanut butter and peanut paste, rather choosing to expand it as the crisis progressed. Even though the company was aware that all of its peanuts had the potential to be contaminated, it did not issue an immediate voluntary recall of all of its products. One can thus argue that even though the company was aware of the health risks its products could potentially present to the consumers, it still prioritized organizational concerns over issues of public safety.

Until the end of January 2009 *PCA* had expanded its product recall on three separate occasions, with the last recall covering all products, which had been

produced at its processing plant in Georgia since January 1<sup>st</sup>, 2007 (Gardiner, 2009). At this point in time the company utilized a combination of *diminish* crisis response strategies, employing both dimensions, namely, justification and excuse. *PCA* attempted to minimize the perceived damage of the crisis, arguing that it had been declared “to be in top-shape” by previous inspections and that it was unaware of any complaints or illnesses related to the additionally recalled products (Martin, 2009). While these serve as examples of the justification strategy, the strategy of excuse was employed by *PCA* to emphasize that it was unable to control the course of events that triggered the crisis. *PCA* CEO Parnell argued that the company could not have been able to prevent the respective crisis (Moss, 2009).

It can be argued that via its crisis communications *PCA* attempted to frame the salmonella outbreak as an accidental crisis. Such efforts are primarily motivated by companies seeking to decrease the level of initial crisis responsibility attributed to them by their stakeholders. This was particularly pronounced with regard to the utilization of excuse crisis response strategy, the objective of which was portraying the personal control of *PCA* over the crisis as limited or relatively low. The company was however forced to adjust its crisis response strategies and provide corrective information along with the expansion of product recalls.

Expanding the initial product recall, *PCA* acknowledged that it had been selling its own brands under different names to consumers in retail, urging the consumers to be aware of the listed products and locations (Layton, 2009). While this correction of information can be seen as part of the instructing information provided by the company, it also signifies *PCA*'s failure to alert the public about its exposure to contaminated products in a timely manner.

A shift towards *rebuild* crisis response strategies was indicated by an apology published by *PCA*, which contained the following message: “We are sorry our process fell short of not only our goals, but more importantly, your expectations” (Moss, 2009). It can be argued that while this statement serves as an example of the company accepting responsibility for the crisis and attempting to reconcile with its stakeholders, the apology crisis response strategy was adopted by *PCA* too late to be of any benefit with regard to repairing its damaged corporate reputation.

Furthermore, as the crisis progressed, *PCA* explicitly toned down its crisis response. Management of the company refused to give comments and avoided public debate. While such an approach to the crisis can mainly be explained by the fact that a criminal investigation into the actions of the company was started by the FDA and the U.S. Department of Justice (Gardiner, 2009b), it also shows the conflicting nature between the interests of defence counsels and the general public. While from the legal standpoint the company is advised to minimize its public exposure due to the fact that everything that the company's management says can be used against it in the court, the lack of communication is however detrimental from the public relations point of view. While the company avoids presenting its own side of the story to the media and general public, it gives an opportunity for other parties to interpret the respective crisis.

#### **6.4. Reputational relation**

Assessing the effect of the adopted crisis response strategies on the reputation of *PCA*, one has to distinguish between the short-term and long-term effects experienced by the company. In the short-term reputation of *PCA* was negatively affected by the lack of a timely crisis response. With the FDA having started an investigation at the company's Georgia-based processing plant following the isolation of salmonella pathogen from peanut butter produced at the facility, *PCA* took three days to issue its first public statement regarding the escalating situation. Instead of employing an assertive course of action in a form of precautionary product recall, the company acted in a way, which is characterized by Beghetto (2016; p.3) as a "wait and see" approach.

The delayed crisis response created a perception that *PCA* was not in control of the situation or perhaps had something to hide. While the company was reluctant to present its own side of the story, the media was presented with an opportunity to frame the crisis in a way that was unfavourable for *PCA*, particularly, due to prior food quality and safety issues involving the company (Layton and Mitroff, 2009). The particular situation reflects the view of Hearit (1994), who argues that keeping silent during a crisis is too passive, which in turn indicates that the company is not in control

of the situation and does not care how it is being perceived by its stakeholders. Based on the argument made by Hearit (1994), it can be argued that *PCA* was faced with increased reputational threat since the very beginning of the corporate crisis.

Similarly, lack of a timely and decisive crisis response further damaged the company's reputation, when the FDA informed the public about the identified holes in the safety net of the *PCA* processing plant. While the management of the company remained silent, not presenting any information that could potentially refute the allegations made by the FDA regarding the sanitary conditions at the facility, consumers were losing confidence in the brand. Subsequently, sales of all peanut butter products fell by 25% in the wake of the crisis (Martin and Robbins, 2009). From the theoretical perspective lack of communication signifies that the company had not viewed crisis management as a long-term process, failing to establish an effective crisis management plan in the pre-crisis phase that would have allowed it to respond to the crisis in a timely and thoughtful manner.

Ulmer et al. (2010) argue that there is a clear difference between an organization suffering an accident and an organization knowingly causing or allowing a crisis to occur. In the latter case stakeholders are much less likely to forgive and forget, as they view the respective organization as unethical and irresponsible in its business practices. This was particularly pronounced, when in addition to the already identified sanitation flaws at the Georgia-based processing plant, *PCA* was found to have knowingly shipped salmonella-contaminated products to its customers. While *PCA* engaged in a large-scale product recall, which would commonly be regarded as a positive reputational step, signifying that the respective company cares for the physical safety of its stakeholders ("Crisis Management and Communications", 2014), in this particular case it did not achieve the desired reputational outcome.

The product recall failed at generating a positive reputational effect, as it was generally viewed as considerably delayed by the company's stakeholders. Stakeholders questioned the ethics and business practices of *PCA*, as well as the voluntary nature of the product recall, which was issued only following the interference of state food security officials and not upon the immediate receipt of salmonella-positive laboratory test results by the company itself. As instead of

immediately recalling the suspected products *PCA* had knowingly sought ways to mask the laboratory findings in order to deliver those products into commerce, the company's stakeholders viewed *PCA* as an unethical actor (Ulmer, 2010), which prioritized financial gain over public safety.

Coombs et al. (2016) particularly focus on *denial* as a crisis response strategy that should only be employed when the respective organization is actually not responsible for the crisis. They argue that in other crisis scenarios, especially, when an organization is found to be guilty at a later stage of the crisis, *denial* crisis response strategy can only lead to lower reputational scores. The *PCA* case indicates however that this claim should not be exclusively limited only to the utilization of the *denial* crisis response strategy. Expanding the claim to include the justification crisis response strategy, it can be argued that similarly lower reputational scores are attained, when a company, which has initially attempted to minimize the perceived damage of the crisis, is found to be at fault at a later stage of the crisis.

This assertion relates to the attempt of *PCA* to minimize the perceived damage of the salmonella outbreak via claiming that none of the recalled products had been sold directly to consumers through retail stores. Once information about *PCA* selling its products in retail was revealed, the company was forced to expand its product recall. The revelation further aggravated the reputational damage of *PCA* as its previously employed justification crisis response strategy could be seen as an attempt to hide information related to public safety in favour of organizational concerns and financial gain.

The *PCA* case also reflects the argument made by Brocato et al. (2012), who argue that while *diminish* crisis response strategies can minimize the reputational threat faced by the organization, they increase the reputational threat faced by the organization's CEO. While *PCA* attempted to portray the salmonella outbreak as an accidental crisis via an excuse crisis response strategy, arguing that it would not have been able to prevent the outbreak, this strategy was ineffective with regard to protecting the reputation of the company's CEO Stewart Parnell. Parnell became the face of the crisis and was removed from the U.S. Department of Agriculture Peanut Standards Board, an authority advising the Secretary of Agriculture on quality and handling standards (Martin and Robbins, 2009).

Furthermore, it can be argued that while the excuse crisis response strategy was aimed at minimizing the perceived crisis responsibility of *PCA*, it created a spill-over effect, damaging the reputation of the peanut industry as a whole. With *PCA* announcing that it would not have been able to prevent the outbreak, the safety measures of the peanut industry were questioned by consumers, who were wary with regard to purchasing peanut products in general. This fact reflects the argument made by Hallman and Cuite (2010; p. 4), who argue that when consumers cannot successfully distinguish between the affected and unaffected products, they tend to “overreact by discarding or avoiding the purchase of anything that resembles it”. As a result, the *PCA* product recall was estimated to cost the peanut industry around 1 billion dollars (Mallove, 2010).

While the amount of losses incurred by *PCA* was not publically revealed, on February 20<sup>th</sup>, 2009 the company informed about filing for bankruptcy under Chapter 7 of the U.S. Bankruptcy Code. The process known as liquidation bankruptcy was referred to as “inevitable” by a lawyer, representing the company (Martin, 2009a). It can therefore be argued that the *diminish* crisis response strategies failed at repairing the company’s reputation. The particular example serves as evidence for the argument made by Coombs (“Crisis Management and Communications”, 2007), who argues that sloppy crisis management threatens to aggravate the reputational damage, which can eventually lead to the end of existence of the respective company.



## 7. Case Comparison

All three cases discussed in the thesis represent crises generated by organizational misdeeds. According to the Situational Crisis Communication theory (SCCT) these crises subsequently fall into the preventable crisis cluster, generating strong attributions of initial crisis responsibility. As none of the respective companies had experienced outbreaks of food-borne illnesses prior to the discussed cases, *crisis history* did not serve as an intensifying factor of the reputational threat posed to the companies. However, all of the companies had experienced prior reputation issues in other contexts, leading to a conclusion that in all of the respective cases *prior reputation* intensified the reputational threat posed by the crises.

According to the framework of the SCCT, these similar crises should have been addressed in a similar way, namely, by employing a *base response* and *rebuild* crisis response strategies. The respective crisis response therefore should have incorporated 1) a product recall; 2) instructing information; 3) care response; 4) an apology; and 5) compensation to the victims. However, despite the common recommendations set forward by the SCCT, the primary crisis strategies, employed by the companies with the aims of protecting and/or repairing their reputations, considerably differed from one another. While the management of *Odwalla* appeared to follow the recommendations set forward by the SCCT, *Jack in the Box* and *PCA* primarily based their crisis responses on *deny* and *diminish* crisis response strategies, respectively.

While all three companies fulfilled the requirements of *base response*, namely, by issuing a product recall, instructing information and care response, the thesis established considerable differences in the timeliness and thoughtfulness of those responses. As previously noted, the initial crisis response guidelines prescribe that crisis managers should respond in the first hour after crisis occurs (“Crisis Management and Communications”, 2007). While *Odwalla* appeared to follow the guidelines by issuing its initial crisis response within 23 minutes following the public announcement regarding the link between its apple juice and an E. coli outbreak, *Jack in the Box* and *PCA* took two and three days, respectively, to respond to the crises. Crisis responses of the latter two companies could therefore be seen as considerably delayed in conditions of uncertainty and stakeholder pressure. Delays in product recall

furthermore not only threatened to aggravate the reputational damage of those companies, but also presented risks of an increase in the total number of victims and fatalities during the respective outbreaks. While *Odwalla* and *Jack in the Box* issued complete recalls of their products, *PCA* was reluctant to do so, expanding its recall on three separate occasions throughout the crisis.

With regard to the adopted primary crisis response strategies, *Odwalla* accepted full responsibility for the crisis, issuing an apology and compensation to the victims. *Jack in the Box* refused to accept responsibility for the crisis, employing the *deny* crisis response strategies of *denial*, *attacking the accuser* and *scapegoating*. Blaming other restaurants, its meat supplier-company and state food security institutions, the company attempted to distance itself from the crisis. However, once the possibilities of the *deny* crisis response strategies were exhausted, the company shifted its crisis response to the *rebuild* crisis response strategies by issuing an apology and compensating the victims. *PCA* primarily focused on the use of *diminish* crisis response strategies of justification and excuse, attempting to minimize the perceived damage of the crisis and trying to limit its perceived responsibility for the outbreak.

While the thesis found that none of the crisis response strategies managed to shield the companies from reputational damage in the short-term, there were considerable differences among the effects of the crisis response strategies on the reputations of the respective companies in the long-term. These differences were evidenced by stakeholders' behavioural intentions towards the companies, reflected in changes in sales and stock values. While in the wake of the respective crises all three companies suffered major reputational damage, translated in the loss of sales and decrease in stock values, only *Jack in the Box* and *Odwalla* managed to recover in the long-term. Recovery of the companies was enabled by effective crisis responses that allowed the companies to become leaders in safety of their respective industries (Hearit, 2006) in the post-crisis phase. On the contrary, the lack of effectiveness of *PCA*'s crisis response strategies contributed to the company's road to bankruptcy.

However, during the research process it was identified that crisis response strategies were not the sole element contributing to the reputational outcomes of the companies in the long-term. A particular feature that facilitated *Odwalla*'s

reputational recovery was the company's strong reputation and consumers' trust prior to the crisis. While acknowledged as an advantage by Fombrun (1996), prior reputation strength is disregarded in the framework of the SCCT. While the SCCT purports that crisis history and prior reputation issues in other contexts serve as intensifying factors of the reputational threat posed by a crisis, the theory fails to acknowledge that strong corporate reputation prior to the crisis could serve as an "intensifying factor" facilitating the reputational recovery of a company during crisis.

Furthermore, the findings of the thesis extend the criticism of the SCCT with regard to not including "silence" in the list of crisis response strategies. Keeping silent during crisis, a matter that has particularly been addressed by Hearit (1994), is disregarded by the SCCT. While the SCCT foresees that crisis managers engage in crisis response as soon as their companies are faced with reputational threat, the cases of *Jack in the Box* and *PCA* provide counter-evidence.

The "wait and see" approach (Beghetto, 2016; p. 3) was employed by crisis managers of the respective companies as a strategy at multiple stages of the crises. Via keeping silent during the initial stages of the respective crises, the companies acted from the legal point of view of not wanting to accept their fault. Similarly, *PCA* toned down its crisis response due to legal concerns, once the criminal investigation into the actions of the company was started by the FDA and the U.S. Department of Justice. Subsequently, this thesis calls for inclusion of *silence* crisis response strategy in the list of primary crisis response strategies, arguing that crisis responsibility can not only be denied or diminished, but also not admitted.

The thesis also identified portrayal of a corporate crisis as an industry-wide crisis rather than a crisis limited to one company as an effective strategy, stimulating the reputational recovery of a company. The observation is however true only under the conditions that the respective company timely adopts *rebuild* crisis response strategies in order to reconcile with its stakeholders and has the capacity and necessary resources to change its corporate culture to become a leader in the advancement of its respective industry. The evidence substantiating this conclusion was provided by the cases of *Jack in the Box* and *Odwalla*.

While *Jack in the Box* called for introduction of new food safety measures, arguing that the effectiveness of the existing USDA meat testing procedures was

insufficient, *Odwalla* referred to the *E. coli* bacteria as “one of the least understood currents in food safety” (Drew & Belluck, 1998). Despite strong resistance from their competitors, the companies managed to initiate industry-wide changes. Due to their crisis response tactics both companies emerged from their respective crises as leaders in advocacy of food safety in their respective industries. One has to acknowledge however that there is also a shadow side to this tactic. As evidenced by the attempt of *PCA* to minimize its perceived responsibility for the crisis via an excuse crisis response strategy, stakeholders’ perceptions of a specific corporate crisis as an industry-wide problem can result in a spill-over effect, damaging the reputation of an industry as a whole.

## 8. Conclusion

This thesis particularly addressed the effect of the adopted crisis response strategies on the reputation of private companies. With a specific focus on crises in the American food industry, it tested the assertions put forward by the Situational Crisis Communication theory, which suggests that in order to protect their reputations, when faced with strong attributions of crisis responsibility, companies should employ *rebuild* crisis response strategies in addition to *base response* (“Crisis Management and Communications”, 2007).

The thesis aimed to answer the following research question: **To what extent have the adopted crisis response strategies affected the reputation of private companies operating in the American food industry?** Subsequently, three expectations were put forward by the thesis, anticipating that *deny* and *diminish* crisis response strategies negatively affected the reputation of companies operating in the American food industry, while *rebuild* crisis response strategies had a positive reputational effect.

The findings showed that none of the primary crisis response strategies was able to generate a positive reputational effect in the short-term, namely, in the wake of the crisis. However, differences in the effects were observed in the long-term. The thesis confirmed the expectation that *diminish* crisis response strategies negatively affected the reputation of private companies operating in the American food industry. It was also confirmed that *rebuild* crisis response strategies had a positive reputational effect. With regard to *deny* crisis response strategies the findings showed that while *denial* and *attack the accuser* strategies had a negative reputational effect, the strategy of *scapegoating* could also serve as a rudiment for positive reputational outcomes in the post-crisis phase.

Furthermore, the findings generated a number of criticisms directed at the Situational Crisis Communication theory. The thesis calls for recognition of strong corporate reputation prior to a crisis as a factor, which can facilitate reputation recovery of the company during a crisis. In addition, the thesis calls for inclusion of “silence” in the list of primary crisis response strategies, arguing that keeping silent

during a crisis is a strategy deliberately employed by crisis managers acting from the legal point of view of not wanting to accept their fault.

This research was specifically limited to studying the effects of the adopted primary crisis responses strategies on the reputation of private companies operating in the American food industry. While the respective crises entailed strong attributions of crisis responsibility, it is argued that it would be valuable to extend the research to crises, which entail minimal and low levels of crisis responsibility attributed to the companies by their stakeholders. Such cases could potentially result in different reputational outcomes. Similarly, it could be interesting to study the effects of secondary or *bolstering* crisis response strategies on the reputation of private companies. While gathering data on companies' crisis communications via the archives of newspapers allowed studying progression of issues over time, researchers are encouraged to extend the study to companies' crisis communications on social media.

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