

**Authentic Crisis Leadership  
and  
Reputation Management:  
Maple Leaf Foods and 2008 Listeriosis  
Crisis**

**A Study of Canadians' Perceptions on  
Maple Leaf Foods' Crisis Communications Response.**

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## Executive Summary

- Immediate and ongoing crisis communications responses positively influenced overall reputation scores (+31% over 4 months).
- Those participants that saw the video news releases, produced and distributed by Maple Leaf Foods, had significantly higher good opinion ratings than those that didn't see the video (74% vs. 63%).
- Those who had previously purchased Maple Leaf Foods products scored the company higher on credibility, food safety and 'doing what they said they would do' than those that hadn't purchase their products (83%).
- The study results demonstrate the value and effectiveness of a credible spokesperson, the importance of immediate crisis communications actions, and the impact of these activities on overall reputation ratings
- Finally, the study shows the importance of strong pre-crisis relationships on intention of participants to repurchase Maple Leaf Foods products over the next six months.
- Results are based on the opinions of more than 4,600 Canadians during three separate national surveys between August 2008 and January 2009. The survey samples were reflective of the Canadian population based on age, gender and province. The margin of error for a national representative sample of this size is +/- 2.1%, 19 times out of 20

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*If we behave responsibly, if we put consumers' interest first and we have a substantial action plan that we execute over the ensuing months, and we can address consumers directly, talk to them directly and explain what we have done and what happened within a degree of openness and if we do those things, it maybe a leap of faith, we believe we can regain that trust.<sup>1</sup>*

Michael McCain, President & CEO, Maple Leaf Foods

## **1. Introduction**

The summer of 2008 will not be remembered by the management of Maple Leaf Foods (MLF) for skyrocketing gasoline prices, the nomination of Barack Obama, the Beijing Olympics or the soggy weather conditions. No, the dog days of summer of 2008 will be remembered as the days they felt the pain and anguish of losing consumer trust. In just a few days, the reputation of one of Canada's most respected and admired consumer products companies began to rapidly dissipate – the result of a lingering bacteria that slipped through their inspection and caused a crisis of trust, reputation and leadership within the company.

This report is not the definitive case study of the causes of the listeriosis crisis nor is it an insider's view of how the company reacted and responded to the tragic events of August 2008. Rather it is a perspective based on my experiences, insights and research on reputation management and crisis leadership over the last 20 years. In addition, my perspective on this crisis has been shaped by my observations of how the company responded in the early moments of this crisis as well as three national opinion surveys that were conducted by Leger Marketing between August 2008 and January 2009.

Rarely are researchers given the opportunity to test theories and concepts in real time; to see how consumers/customers are reacting to the messages and communications/public relations activities of a company in crisis. Over the last five months, through the generous support of Leger Marketing, we have measured more than 4,600 Canadians' perceptions of Maple Leaf Foods based on their reputational opinions, loyalty, trust, and future desire to do business with the company. This report provides a research-based context to the company's response and discusses the implications and opportunities for other companies/organizations that may, one day, find themselves reacting and responding to an organizational crisis.

## 2. The Key Concepts

This study examines a number of key theoretical and practical concepts that have shown, over the years, to influence how an organization is perceived during and immediately following a significant crisis. While there is some debate on what constitutes a crisis, I developed the following definition to frame my thinking and writing:

***"any event, large or small, that can suddenly disrupt an organization's ability to efficiently and effectively achieve its mission."***<sup>iii</sup>

It is my contention that the primary objective of a crisis response strategy is to position the organization to resume operations as quickly as possible. However to achieve that objective a number of factors must be present prior to the start of the crisis. These factors, which I describe below, create resiliency within the organization and enables it to effectively 'bounce back' and regain the trust and loyalty of their priority publics.

- i) **Trust and Credibility** – these two concepts are central to the viability of any organization, in good times and in bad. Trust is a critical component of any social or economic relationship that an organization wishes to create with its priority publics. The determining factors of building trust and credibility in crisis situations are: empathy and caring, dedication and commitment, honesty and openness, and competence and expertise.<sup>iii</sup> There has also been a great deal of research conducted on the attributes of relationship management for companies engaged in public relations and communications management. In addition to trust, there are four important attributes necessary for establishing a mutually beneficial relationship with a priority public: honesty, commitment, satisfaction and mutuality/balance.<sup>iv</sup> It is true that trust and credibility takes years to create, through multiple interactions with multiple stakeholders, and can be destroyed in minutes. However, the strength of the relationship and the degree of loyalty of the consumers/customers determines how quickly that trust and credibility can be regained.

- ii) **Reputation Management** – a relatively young scientific discipline in the field of public relations and management studies, the key attributes of establishing a sustainable reputation are: visibility, authenticity, transparency, consistency and distinctiveness. However, in the public's mind, the most important driver of reputation capital is the quality of a product and service offered by an organization. Those organizations that are able to combine the key attributes and drivers in the delivery of their reputational promise, will garner sustained and superior advantage in the market place.<sup>v</sup> Currently there are only two times in a firm's history where its reputation capital is realized: during a sale of the organization or during a crisis. For publicly traded companies, such as MLF, the stock market is an instant barometer of the firm's reputation capital during a time of crisis. Companies such as Johnson-Johnson, and Mattel suffered an immediate drop of between 15-25% of their market value in the hours and days following their crises. The key is to respond effectively and efficiently to both the market and consumers demands to limit the immediate effect while rebuilding long-term confidence in the organization.
- iii) **Crisis Leadership** – over the years researchers and media commentators have studied and analyzed a number of leaders to determine what personal and professional attributes they possess that help mitigate the impact and effects of a crisis situation. Many of the individuals studied have been business leaders but most have hailed from the political arena. In a study that I conducted in 2004<sup>vi</sup>, I was able to isolate six critical organizational attributes that predicted how prepared an organization was to manage a crisis. Those attributes are: leadership, culture, crisis management procedures, public relations capacity, crisis mindset, and organizational learning. The more that these attributes are present within the organization, the more likely the organization is prepared to respond efficiently and effectively to a crisis situation.

### **3. Research Framework**

This study, conducted with the support of Leger Marketing, was framed in response to the product recall announced by Maple Leaf Foods on August 20, 2008<sup>vii</sup>. The primary objective was to assess the trust, credibility and desire to do business with MLF following the recall and the subsequent crisis communications activities of the company. Fieldwork was completed following each of MLF's major announcements which were communicated to the public through video news releases to the media, YouTube distribution and the company's website. The three phases were conducted:

- a) August 27 – September 5, 2008 (N=1511);
- b) September 26 – 29, 2008 (N=1627); and,
- c) January 8-12, 2009 (N=1505).

Participants were selected through Leger's web-based research panel and represent a statistical sampling of the Canadian population reflective of gender, age, and province. A total of 4,643 Canadians, over the age of 18, participated in the studies. The margin of error for a national representative sample of this size is +/- 2.1%, 19 times out of 20. The same 10 questions were asked of each panel during the three waves of research. The findings were collected and analyzed independently for each group and then compared across times for significant changes in responses and opinion.

#### 4. Findings

**Question: Have you purchased any Maple Leaf Foods products in the last 6 months.**

Purchased MLF Products in last 6 months	Time 1 (n=1426)	Time 2 (n=1541)	Time 3 (n=1441)
Yes	61% (n=884)	58% (n=900)	51% (n=728)
No	23% (n=333)	26% (n=403)	36 % (n=516)
Don't Know	16% (n=224)	15% (n=237)	14% (n=194)
<b>Female</b>			
Yes	60% (n=444)	58 (n=457)	49 (n=365)
No	25% (n=187)	29 (n=225)	38 (n=280)
<b>Male</b>			
Yes	62% (n=439)	59 (n=444)	52 (n=363)
No	21% (n=146)	24 (n=178)	34 (n=236)

In August 2008, fully 61% of Canadians had purchased MLF products over the previous six months. As a result of the recall, those numbers dropped 10% by January 2009. The same percentage decrease can also be seen when examining this question based on gender.

**Question: Have you heard anything in the media about the listeriosis outbreak linking it to MLF?**

Awareness	Time 1 (n=1443)	Time 2 (n=1541)	Time 3 (n=1441)
Yes	99% (n=1424)	99% (n=1526)	98% (n=1420)
No	1% (n= 16)	1% (n=12)	1% (n=18)

Within two weeks of the recall, 99% of participants had heard about the outbreak, which reflects the significant media coverage of the crisis following the recall announcement and MLF’s crisis response activities. Less than five months after the initial recall, awareness was still at 98%

**Question: Have you seen a TV announcement/advertising featuring Michael McCain (CEO of Maple Leaf Foods) discussing the listeriosis outbreak?**

Video News Release	Time 1 (n=1443)	Time 2 (n=1541)	Time 3 (n=1441)
Yes	66% (n=948)	76% (n=1172)	83% (n=1189)
No	33% (n=475)	23% (n=349)	16% (n=233)
Purchased			
Yes	<b>72</b>	<b>83</b>	<b>89</b>
No	28	16	11
Didn't Purchase			
Yes	<b>53</b>	<b>63</b>	<b>74</b>
No	44	35	24

Over the course of the five months of this study, MLF achieve significant penetration of its video message featuring Michael McCain. Fully 83% of Canadians had seen the video, up from the initial 66% that saw it within the first two weeks of the crisis. Again those that had previously purchased MLF products had higher awareness of the video than those that didn't purchase MLF products.

**Question: Do you have a good opinion, bad opinion or don't know Maple Leaf Foods?**

Opinion	May 2008	Time 1	Time 2	Time 3	Net Effect (T1-T3)	Net Effect Overall (May 2008 to January 2009)
Good	74	46	55	63	+17%	-11
Purchased Yes		57	71	88	+31%	
Purchased No		30	29	31	---	
Bad	7	38	29	23	+15%	-16
Purchased Y		34	23	7	+27%	
Purchased N		51	50	52	---	

Leger Marketing has been tracking the reputation of Canada's top 100 companies since 2004, including the reputation of MLF. Most recently in May 2008 the corporate reputation study found that MLF had a good opinion rating of 74 and a bad opinion rating of 7. This was an important benchmark to base the reputation rankings of the company during the crisis. During the first wave, good opinion had dropped by 28% to 46 and bad opinion had increased by 31% to 38. Within a month of the recall, Canadians good opinion of MLF's response had already begun to change increasing by 9% by the end of September 2009. By mid January 2009 (4.5 months after the initial recall), good opinion had again increased an additional 8% to 63% -- a net change of 17% over the four months but still fully 11% off the levels reported in May 2008.

One important group to track in this type of study is consumers who have had a relationship with the company prior to the recall (defined as those who had purchased MLF products over the previous 6 months). If the company has a strong relationship with these consumers, and the consumers judge that the crisis response is effective, then research should show a statistically significant difference in this group's response versus the general population and those that didn't have a relationship with the company. The above chart notes the significant difference in good opinion ratings of those that had purchased MLF products. While this group's good opinion rating had also been significantly impacted by the recall (a drop of 17% to 57), it quickly rebounded by the second wave to nearly equal the pre-crisis ratings (71%). By January 2009, good opinion ratings among purchasers eclipsed the pre-crisis ratings by 14% (88%) showing a dramatic reputation recovery

**Question: On a 5-point scale where 5 is strongly agree and 1 is strongly disagree, how would you rate the following: “Michael McCain is a credible spokesperson for the company.”**

Credible Spokesperson	Time 1 (n=948)	Time 2 (n=1172)	Time 3 (n=1189)
Net Agree (4/5)	74% (n=703)	79% (n=923)	74% (n=877)
Male	71%	78	74
Female	76%	80	74
<b>Purchased</b>	<b>78%</b>	<b>81</b>	<b>83</b>
Didn't Purchase	70%	71	60
Net Disagree (1/2)	10% (n=95)	8% (n=91)	11.2 (n=134)

While we have five years of benchmark data on MLF’s reputation, we do not have any benchmark research on how Canadians perceived Mr. McCain’s response during this crisis. We also do not have any benchmark research on other CEOs who became the primary spokesperson for their company during a crisis of this magnitude. So when Canadians report that they have a net agreement rating of between 74-79% over the last five months, it is difficult to provide an evaluative comparison. However by way of illustration, on the day after his inauguration, President Barak Obama had an approval rating of 68%.<sup>viii</sup> In mid January of 2009 Canadian Prime Minister Stephen Harper had a 35% approval rating.<sup>ix</sup>

Despite little benchmark data on Mr. McCain’s rating as a credible spokesperson, I am confident to conclude that these numbers reflect a very positive impression among the general public and among previous customers, he rated very well as a spokesperson.

**Question: On a 5-point scale where 5 is strongly agree and 1 is strongly disagree, how would you rate the following: “Michael McCain and his company care about public safety.”**

Care About Public Safety	Time 1 (n=948)	Time 2 (n=1172)	Time 3 (n=1189)
Net Agree (4/5)	71% (n=669)	72% (n=844)	71% (n=839)
Male	67%	69	68
Female	74	74	73
Purchased	74	76	82
Didn't Purchase	64	60	50
Net Disagree (1/2)	14% (n=134)	11 (n=126)	14 (n=163)

The results from this question are very interesting given that the initial rating was relatively high (71%). However, there was virtually no movement over the four months of this study – save and except those who had purchased MLF products previously. This is where qualitative research could certainly help to understand why the level of agreement stayed the same and to understand what factors were influencing their answers. Were the participants taking a more practical view of safety issues or were they more cynical in thinking that if the company really cared about safety this crisis wouldn't have happened? The good news for MLF is that their customers take the food safety message to heart with a 82% net agreement rating on this question.

**Question: On a 5-point scale where 5 is strongly agree and 1 is strongly disagree, how would you rate the following: “I trust that Maple Leaf Foods will do what they say they will do.”**

Do What They Say	Time 1 (n=948)	Time 2 (n=1172)	Time 3 (n=1189)
Net Agree (4/5)	61% (n=882)	74% (n=868)	72% (n=850)
Male	58	72	69
Female	64	76	74
Purchased	70	79	83
Didn't Purchase	44	60	51
Net Disagree (1/2)	12% (n=180)	10 (n=119)	13 (n=157)

One of MLF’s core values and key communications messages during the crisis was “do the right thing” and as such the public was evaluating them on whether or not they believed that the company would do what they said they will do. The Time 1 response (61%) seems to reflect a ‘wait and see attitude’ given that this data set was collected within the first two weeks of the crisis. However within the first month, the level of agreement increased by 13% and has stayed at that rate. Purchasers again lead with an 83% agreement score up from the initial 70% but non-purchasers’ agreement level actual fell between Time 2 and Time 3 by 9%.

Overall Mr. McCain and MLF scored very well on these three factors (credibility, caring about public safety, and trust), led by his own personal credibility ratings. The ratings also reinforced the benefit of strong relationships with consumers/customers as their scores were significantly higher than the average score and more importantly, significantly higher than non-purchasers. In times of a crisis like this, it is important to reinforce the relationship with those that are more loyal to you and over the course of the crisis response to reach out to non-purchasers in an attempt to convert them to your brands.

**Question: How likely are you to purchase MLF products over the next month/six months?**

Likelihood to Purchase 1 month	Time 1 (n=1443)	Time 2 (n=1541)	Time 3 (n=1441)
Net Likely (4/5)	21% (n=201)	34% (n=526)	47% (n=672)
Male			
Net Likely	28%	38	48
Net Unlikely	54%	39	28
Female			
Net Likely	15%	30	46
Net Unlikely	65%	47	30
Purchased			
Net Likely	30%	52	78
Net Unlikely	53%	30	5
Didn't Purchase			
Net Likely	4%	5	9
Net Unlikely	78%	77	70
Net Unlikely (1/2)	60% (n=861)	43% (n=666)	29% (n=418)

Likelihood to Purchase 6 month	Time 1 (n=1443)	Time 2 (n=1541)	Time 3 (n=1441)
Net Likely (4/5)	40% (n=573)	46% (n=716)	54% (n=782)
Male			
Net Likely	45	50	56
Net Unlikely	34	26	24
Not Sure	7	7	5
Female			
Net Likely	35	43	53
Net Unlikely	37	30	24
Not Sure	13	11	7
Purchased			
Net Likely	55	67	85
Net Unlikely	24	15	14
Not Sure	6	5	2
Didn't Purchase			
Net Likely	10	10	14
Net Unlikely	68	62	60
Not Sure	16	13	7
Net Unlikely (1/2)	36% (n=516)	28% (n=434)	24% (n=342)
Not Sure	10% (n=143)	9% (n=144)	6% (n=84)

As discussed earlier in this report, one of the primary objectives of a crisis communications and management response strategy is to rebuild the organization's reputation so that consumers/customers and priority publics begin to re-engage with the company. In the case of MLF, the objective is to turn the feelings of credibility, trust and good opinion into positive purchase behavior – buying the products. While it is obvious from the Time 1 and Time 2 data that consumers were not likely to purchase MLF products in the following month, by Time 3 there was a significant change in likelihood to purchase from 34% to 47%. The same change can be seen in the six-month intent to purchase ratings as well, moving from 46% to 54% from Time 2 to Time 3. Once again the two columns of interest for communication and product managers is the purchase intent of previous customers. For purchases over the next month, consumers who had previously purchased MLF products shifted fully 48% points from 30% to 78% between Time 1 and Time 3 with a similar movement of 30% for six-month purchases.

Net unlikely also dropped significantly for the one-month purchases from 60% to 29% between Time 1 and Time 3 and from 36% to 24% for six-month purchases.

The company's commitment to 'do the right thing' and 'dare to be transparent' may have played a significant impact in the reduction of the net unlikely numbers and the solidification of the net likely intent to purchase on behalf of the customers.

## 5. Implications for Public Relations/Communications Management

There are many lessons that we can learn from the data collected from this research study. First and foremost is that a company that has established a solid foundation of trust and credibility with its consumers/customers, has a healthy reputation, and has the attributes of crisis leadership present throughout the entire organization stands a very real chance of not only surviving a potentially catastrophic crisis such as this recall but in fact will regain its composure, rebound effectively and efficiently and finally become the benchmark to be measured against.

This is the case for Maple Leaf Foods. Not only did they demonstrate empathy and caring throughout their response but they created a new level of crisis leadership in Canada by which future companies will be measured. In my opinion, this is the 21<sup>st</sup> century Johnson & Johnson case study. This is a company that obviously has a strong culture, strong leadership and a strong willingness to learn and do the right thing.

While there are indeed many lessons to be learned, this crisis has effectively demonstrated the power of readiness and the impact of excellent crisis communications. By way of example, the impact on the public of the video news release on good opinion ratings has never been isolated before in the public relations/communications literature. As you will see below, the VNR combined with the high credibility ratings of Mr. McCain have demonstrated a statistically significant effect on all groups that saw the video. The effect is very strong and powerful.

Good Opinion x Purchase History x Impact	Time 1 (n=1511)	Time 2 (n=1627)	Time 3 (n=1505)
Overall GO	46%	55%	63%
GO/Purchase/Saw	59	73	90
GO/Purchase/DS	50	62	79
GO/Didn't Purchase/Saw	36	33	34
GO/DP/DS	23	22	22

The difference between those who had a good opinion of the company, had purchased MLF products over the previous 6 months and had seen Mr. McCain versus those who hadn't seen him in Time 1 was 9%, in Time 2 was 11% and in Time 3 was also 11%. Just by seeing the video good opinion rating increased between 9-11%. This phenomenon also held true for those that didn't purchase the products: on average, the difference in good opinion ratings between those that didn't buy the product but saw the video was 12% higher than those that didn't see the video.

**Points to consider:**

- The impact of a credible spokesperson;
- The value of being crisis prepared;
- The effect of immediate communications;
- The desire and intention of doing the right thing and being transparent and in light of not only listening to the accountants and lawyers;
- The power of ongoing consumer/customer relationships and the value of a healthy and strong reputation;
- The connection between public relations/communications management and customer loyalty.

## 6. References

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- <sup>i</sup> Mansbridge One-On-One, January 10, 2009 (available at [http://www.cbc.ca/mansbridge/2009/01/michael\\_mccain.html](http://www.cbc.ca/mansbridge/2009/01/michael_mccain.html))
- <sup>ii</sup> This definition is published in a paper on crisis leadership that I wrote for the Counselors' Academy of PRSA in 2002. It is available at [http://iweb.prsa.org/iweb/Purchase/ProductDetail.aspx?Product\\_code=4A9479](http://iweb.prsa.org/iweb/Purchase/ProductDetail.aspx?Product_code=4A9479)
- <sup>iii</sup> More information on risk communications is available at <http://www.comm.riskcenter.umd.edu/resources/index.html>
- <sup>iv</sup> One of the seminal studies on relationship management and public relations is available from [http://www.instituteforpr.org/research\\_single/guidelines\\_measuring\\_relationships/](http://www.instituteforpr.org/research_single/guidelines_measuring_relationships/)
- <sup>v</sup> For more information on reputation management please visit [www.reputationinstitute.com](http://www.reputationinstitute.com)
- <sup>vi</sup> A copy of this study is available from <http://gradworks.umi.com/31/76/3176990.html>
- <sup>vii</sup> <http://investor.mapleleaf.ca/phoenix.zhtml?c=88490&p=irol-newsArticle&ID=1188865>
- <sup>viii</sup> <http://firstread.msnbc.msn.com/archive/2009/01/26/1760773.aspx>
- <sup>ix</sup> <http://blog.seattlepi.nwsource.com/seattlepolitics/archives/160079.asp>