In Chapter 1, we looked at the role communication plays in the life of a manager—we examined why managers communicate. In this chapter, we look much more closely at how managers communicate—we examine the process itself. Elsewhere in this book we will examine the products of that process: writing, speaking, listening, conflict management, and group interaction.

**DEFINING COMMUNICATION**

First, though, a definition may be helpful. If you read enough books on this subject, you’ll find more definitions than you can understand or remember. Here’s one that is both easy to understand and easy to remember: Communication is the transfer of meaning.¹

“I sent you an e-mail,” your manager asserts. “Didn’t you get it?” You got 40 e-mails that day. What did his say?

“We put out a memo on that subject just last month,” a junior VP claims. “Why aren’t the employees complying?” They get dozens of pieces of paper in their in-boxes each day. Are you surprised no one read it? For those of you who remember the memo, did you understand it? For those who think they understood what the vice president meant, what was your reaction? Wasn’t that just a backgrounder? An update of some sort, meant to provide you with information about the development and implementation of some policy that won’t really affect you? For those who received, read, understood, and remembered the memo: What was your incentive for complying with the vice president’s request? How does this affect you and, more importantly, what’s your motivation for getting involved?

“That memo is crucial to the future of this company,” your boss thunders. “It’s about the vision our senior team wants to see throughout the entire organization.” Gee, all that in one memo, and you just glanced through it and tossed it aside. Maybe it’s still around somewhere. When you get a few minutes, you really should read it. For now, though, there’s a lot more on your plate that seems much more urgent, and “vision memos” will have to wait.
Sound familiar? It’s all too familiar in many organizations because people, particularly managers, confuse the act of communicating with the process of communication. They honestly believe that a message sent is a message received. And a message received would certainly be understood and complied with, right? For them, communication is mostly, if not entirely, about sending messages.

For managers who truly understand the process, however, communication is about much more than sending messages. It’s about the transfer of meaning.

When I understand a subject the way you understand it—with all of the intricacies, complexities, context, and detail—then you have communicated with me. If I am not only aware of what you know about a subject, but how you feel about it, then you have communicated with me. When I comprehend just how important a subject is to you and why you think it’s important to take action now, you have communicated with me. All of this may be possible in a memo to the staff, but it’s certainly not easy. Because communication is a complex, ongoing process that involves the whole substance of ourselves, it would be an unusual memo that could capture all of that. The transfer of meaning may take more than just a phone call or an e-mail message.

ELEMENTS OF COMMUNICATION

To successfully transfer meaning, you must understand that every message you receive comes from a sender who encodes the details of its content and selects a medium through which to transmit what she knows or feels. That message may be impeded by noise, primarily because of the cultural context against which it will be delivered as well as the field of experience of the receiver. The effect of the message will also depend on the frame of mind or attitudinal set you bring to the situation, along with the system of ethics that governs communication in your organization, your industry, and your society.

If all of this looks complex, congratulations, you now have a firm grasp on the obvious: Human communication is intricate, delicate, difficult, and above all, complex. The remarkable fact is, however, we do it every day, and, more often than not, we achieve some degree of success. Orders get placed, deliveries are made, customers are satisfied, people do what you ask of them, and the business you work for runs—more or less—the way it’s supposed to.

The real question here isn’t whether you can communicate. You showed that you can do that when you filled out a business school admissions application. The real question is whether you can get better at it. Can you impress your clients enough to keep them? Can you encourage a reluctant employee to give the best he’s got? Can you convince the boss that you are the one to take on those new responsibilities? We each have basic skills. What we need is a set of higher-level competencies that will serve the world-class organizations we will work for in the years ahead.

PRINCIPLES OF COMMUNICATION

Communication is a process that involves several basic principles. They are things we know to be true about human communication across time and cultures, across organizations and professions, and across nations and economies. Above all, we know that communication is:

**DYNAMIC**  Human communication is constantly undergoing change. One message builds on another; one experience adds to another.
CONTINUOUS Communication never stops. Even when you hang up the telephone, you’re communicating the message that you have nothing more to say. Silence, in fact, can be among the more powerful forms of communication. Simply said: You cannot not communicate.

CIRCULAR Communication is rarely ever entirely one-way. We each take in information from the outside world, determine what it means, and respond. The cycle we refer to as feedback is nothing more than receivers becoming senders, and vice versa. When we stop speaking to listen, we join the feedback loop.

UNREPEATABLE Heraclitus, a Greek philosopher-mathematician, once wrote that “No man can step in the same river twice.” What he meant was that if you attempt to repeat an experience, the experience will be different—circumstances change and so will you. So it is with communication. Even if we say something again in precisely the same way, our listeners have heard it before. The same message delivered to two different listeners amounts to two different messages. That’s also true of the same message delivered twice to the same listeners. Once we have heard or seen a message, we have some notion of what to expect. Thus, it’s not the same experience as when we heard it or saw it for the first time.

IRREVERSIBLE Some processes are reversible—we can freeze water into ice and then thaw it back into water again—but not communication. We may wish we could unsay something, but we can’t. All we can do is explain, apologize, and say more—but we can’t ever get it back.

COMPLEX Communication is complex, not only because of the various elements and principles at work in the process, but also because it involves human beings. Each of us is different in a number of important and meaningful ways, which means that each of us will assign slightly different meaning to words, react in slightly different ways because of our background, education, and experience, and behave in slightly different ways around other people. Nothing is simple or entirely straightforward about the ways in which people communicate.

LEVELS OF COMMUNICATION

Human communication also occurs at various levels. The complexities of the process, particularly audience analysis and message construction, increase as the level of communication elevates.

INTRAPERSONAL When we communicate within ourselves, sending messages to various parts of our bodies, thinking things over, or working silently on a problem, we are communicating intrapersonally.

INTERPERSONAL When we communicate between or among ourselves, sending messages from one person to another—verbally and nonverbally—we are communicating interpersonally.

ORGANIZATIONAL When we communicate with one another in the context of an organization, sending and receiving messages through various layers of authority, using various message systems, discussing various topics of interest to the group we belong to or the company we work for, we are communicating organizationally.
MASS OR PUBLIC Occasionally, when we send messages from just one person or source to many people simultaneously, as in a newspaper advertisement or television commercial, we are communicating publicly.

BARRIERS TO COMMUNICATION If we each understand the principles of communication and the levels at which it can take place, and if we each use and understand the same language, why don’t we succeed more often than we do? What’s holding back the transfer of meaning? Broadly speaking, two barriers keep us from communicating successfully.

PHYSIOLOGICAL BARRIERS Because all the information we receive about the world must come through one or more of our five senses (sight, sound, touch, smell, and taste), we depend on those senses to report accurately on what’s going on around us. It is possible, though, for our senses to be impaired or for the source of the message to provide inadequate information (insufficient light to read a message, an announcement not loud enough to be audible, and so on). In sending messages to others, we must be sensitive to the fact that they may not see, hear, touch, smell, or taste in the same way we do.

PSYCHOLOGICAL BARRIERS Communication is much more than simply sending and receiving messages. It’s about understanding them, as well. Remember, communication is the transfer of meaning, and if I don’t know what you mean—even though I may see and hear you well enough—no communication has taken place. Everything from the culture in which we live to the norms or standards of the groups we belong to can influence how we perceive and react to the messages, events, and experiences of everyday life. Even individual mind-sets, including prejudice and stereotypes, can affect what we understand and how we react to others. We examine each of these barriers in greater detail in Chapter 4, “Speaking.”

COMMUNICATING STRATEGICALLY To communicate strategically means several things. First, it means that your plans for communication, your proposed messages, the medium (or media) you select, the code you employ, the context and experience you bring to situations, and the ethics you adopt will all have a direct effect on the outcome. Remember the elements of communication we discussed earlier? Those are the keys to successful strategic communication.

You should know, however, that those are all just tools; they are means to an end. You should first ask what end you hope to reach. What are your communication goals? If you are communicating strategically, those goals will be aligned with and will directly support the goals of the organization you work for. And, at each level of your organization, the ways in which you communicate will be consistent and aimed at the same objectives.

To develop a communication strategy that will help you and your organization achieve the goals you have set for yourselves, you first must ask yourself a few questions related to the elements of communication we’ve discussed:

SENDER Who should communicate this message? Will your signature compel people to action? Should you ask your manager or vice president to sign this letter? Should someone closer to the intended audience send the message?
Chapter 2 • Communication and Strategy

RECEIVER  Who is the intended audience for this message? What do you know about them? More important, what do they know about you and your subject? What feelings do they have about it and you? What’s their previous experience with this subject and this sender? What’s their likely reaction?

MESSAGE  What should your message contain? How should your message say what you intend for your audience to know? Should your message contain the bare minimum to evoke a reaction, or should you provide greater detail? Should the message focus on just one topic or should you include many issues for them to consider?

MEDIUM  What’s the best way to send this message? Is one medium quicker than another? Will one medium offer your audience better opportunities for feedback? Will one medium carry more detail than another? Does one medium carry a greater sense of urgency than another? Will one medium cost more than another?

CODE  Encoding your message simply means selecting the right words and images. Style and tone matter as you approach readers and listeners with new information. Will they understand the words you plan to use? Will they understand the concepts you offer them? For your audience, decoding is a more complex matter of assigning meaning to the words and images you have selected. Will they mean the same thing to your receiver as they mean to you? Do these words and images have multiple meanings for you and your audience?

FEEDBACK  What’s the reaction of your audience? How will you know if you’ve communicated successfully? What measure will you use to determine whether they understand this subject the same way you understand it? Will the audience response be delayed? Will it be filtered through another source? How much feedback will you need before you decide to communicate again?

NOISE  How many other senders and messages are out there? Whose message traffic are you competing with? Will others try to deflect, distort, or disable your communication attempts? How can you get the attention of your intended audience with all that they have to read, see, hear, and think about each day?

EFFECT  To achieve the goals you’ve set for yourself and your organization, you must know how to motivate others. You must show them how the information or ideas you have shown them are useful and worth acting upon.

SUCCESSFUL STRATEGIC COMMUNICATION

Getting people to listen to what you say, read what you write, or look at what you show them isn’t easy. More often than not, people up and down the line have other interests that seem more immediate and other concerns to focus on. How, then, do you persuade them that paying attention to your message and cooperating with you is in their best interest?

Successful strategic communication usually involves the following six steps:

LINK YOUR MESSAGE TO THE STRATEGY AND GOALS OF THE ORGANIZATION  What are the strategic objectives of your business? Chances are good that your organization has
published a document outlining its vision, values, and beliefs. Of course, the corporate annual report to shareholders is a good place to look for business strategy. If you can’t find what you’re looking for, call corporate communication and explain what you want and why you want it.

Every division within a business should have a set of simple, easy-to-understand business objectives (e.g., “Increase cash flow by 10% during this fiscal year,” or “Increase market share by 15% within the next three years”). All of your communication—no matter what the audience, no matter what the medium, no matter what the purpose for communicating—should be consistent with and directly supportive of those business objectives. If your writing and speaking don’t fit that description, either you don’t understand the company’s objectives or you don’t agree with them. If that is the case, you should make an effort to learn and understand them or look for work elsewhere.

**ATTRACT THE ATTENTION OF YOUR INTENDED AUDIENCE**

Appeal to basic needs or to the fundamentals of physiology to attract the attention of your intended audience. Basic needs would include the bottom rungs of Abraham Maslow’s Hierarchy of Human Needs. This hierarchy explains the frequent focus on issues related to survival, food, water, sex appeal, and other needs. The fundamentals of physiology are simply activities designed to appeal to the sight, hearing, taste, touch, or smell capacities of the audience. Loud noises, bright lights, and similar devices can attract attention; the more important issue is whether you can hold that attention once the audience knows who you are and what you want.

**EXPLAIN YOUR POSITION IN TERMS THEY WILL UNDERSTAND AND ACCEPT**

If your audience is willing to spend time and effort attending to your message but cannot understand what you intend, you’ll raise nothing other than their frustration level. As you will see in Chapter 5, using language they are likely to understand and accept will make comprehension and compliance that much easier. This implies knowing your audience: knowing who they are, how much they know about this subject, how they feel about it, and their level of sophistication.

**MOTIVATE YOUR AUDIENCE TO ACCEPT AND ACT ON YOUR MESSAGE**

Several motivational appeals are available for you to reach and move your audience. First, consider an appeal to authority. If you are either in a position of organizational authority or are an acknowledged expert on the matter, you may legitimately ask your audience to respond to those forms of authority. It is the equivalent, to some, of hearing “... because I’m your mother,” but it works more often than not. And, in some instances, you may have neither the time nor the motivation to explain in detail why the audience should comply. Successful appeals to authority usually involve a follow-up stage in which the authority figure provides justification for the request.

Second, you might consider social conformity to move your audience, which is equivalent to the “celebrity endorsement” or “millions of satisfied customers can’t be wrong” approach. The vast majority of people don’t like to be out of step with other members of the society in which they live; they appreciate and value conformity and what it does for society. An endorsement to your intended audience from a person they respect (it doesn’t matter if you respect him or her) may prove helpful. If not, you can always resort to opinion polls (“Four out of five dentists who chew gum recommend our product”).

Finally, you might use rationality and consistency theory to motivate your audience. Just as the majority of people wish to conform to what others think is proper, so too do they want
rational, consistent behavior in their lives. If they see what you are advocating as irrational or inconsistent with their existing beliefs, they won’t buy it. You must show them that it is consistent with what they already believe and—for those who admire logic—entirely rational.\(^5\)

**INOCULATE THEM AGAINST CONTRARY MESSAGES AND POSITIONS** Persuasion theorists have shown that beliefs persist in the face of contrary evidence if the holder of those beliefs has been inoculated against counterpersuasion at some point. Several means exist to make those actions you advocate resistant to the appeals of your competitors. First, you can ask for a tangible commitment from your audience. If that commitment is public, or at least known to other members of the target audience, so much the better. Everything from signing a pledge card to wearing a campaign button will bolster the beliefs of your audience.\(^6\) A Los Angeles restauranteur dramatically cut the number of reservation “no-shows” by asking diners a simple question as they called for reservations: “Do you promise to call us if your dinner plans change?” The act of saying “yes” on the telephone committed them to a course of behavior that benefited the restaurant substantially.\(^7\)

**MANAGE AUDIENCE EXPECTATIONS** People are disappointed in the service or the products you deliver only if their expectations exceed the quality of what they receive. The same is true of communication. Always deliver what you promise, never less. Always meet or exceed your audience’s expectations. Manage those expectations by cueing your audience about what to expect from your communications with them. If you deliver what you say you will, your audience will reward you with its attention and consideration for your message.

**WHY COMMUNICATING AS A MANAGER IS DIFFERENT**

Communication is a fundamental skill central to the human experience. We each know how to do it; we’ve done it since birth and receive additional practice each day. So, why is it so difficult to communicate on the job? What does the workplace do to change the nature of communication? Several factors in business life alter the way we look at communication. These factors influence the way we write and speak with others, right down to word selection and format. They influence our willingness to listen or to devote time to the concerns of others. And they influence the way we think about our daily problems, responsibilities, and challenges.

**LEVELS OF RESPONSIBILITY AND ACCOUNTABILITY** The higher your level of responsibility in an organization, the more you have to think about. If you spend the majority of your day focused on just one or a few fairly well-defined issues, your communication will tend to be much more keenly focused. If you have many problems, many challenges to address during the day, your communication style will be more fragmented and broadly focused. As you read in Chapter 1, time management and communication efficiency become core skills.

Additionally, as you become more accountable, you tend to keep better records. If you know you’ll be asked about particular issues, it’s to your advantage to update and maintain what you know about those subjects. A phone call from your boss, posing questions you can’t answer, is always a difficult experience.

**ORGANIZATIONAL CULTURE** Some organizations have a very written culture. Procter & Gamble, for example, requires that every issue be written in memo form and circulated to team members before it can be raised as an agenda issue in a team meeting. Other organizations, such...
as 3M Canada, are more “oral” in nature, offering employees an opportunity to talk things through before writing anything down. Many companies rely on a particular culture to move day-to-day information through the organization, and to succeed in such a business, you must adapt to the existing culture rather than try to change it or ask it to adapt to you.

**ORGANIZATIONAL DYNAMICS** Organizations, like the humans who populate and animate them, are in constant flux. Businesses change with the conditions of the marketplace and the lives of the managers who run them. Your communication will have to adapt to the conditions in which you find yourself.

That does not mean signing your name to a document that is false or passing along information that you know isn’t true, even if the organization presses you for time or will not give you access to information you really need to do your job. It does mean adapting your style to the standards and norms of the industry. It may mean greater concision or more detail than you might personally prefer. It may mean shorter turnaround times on requests than you think are reasonable. Or it may mean sharing or withholding information from those you work with each day. Each organization has its own style that is conditionally and temporally affected by a range of issues from market share to target-status in a takeover.

**PERSONALITY PREFERENCES** Finally, it’s important to acknowledge that each of us has his or her own preference for gathering, organizing, and disseminating information. Each of us also has a style for making decisions. You’ll have to accommodate those you work with and work for in order to succeed in business.

If the boss wants plenty of detail and plenty of time to think it over before making a decision, accommodate that. Provide an executive summary, but give her the detail in tabular or annex form if that is what she wants. Meet or beat submission deadlines. And provide the information in the form your reader or listener most wants. If your client likes e-mail, learn to live with brief, typewritten messages and attached text files. If your client likes personal briefings, schedule the time it will take to go over the information in detail. It is counterintuitive, but if you put the information-gathering and decision-making needs of others—particularly your boss and your clients—ahead of your own preferences, you’ll get what you want faster and with much less pain.

**CRISIS COMMUNICATION**

Crisis can come in many shapes and forms. Some crises unfold slowly over many months or years. Others arrive quickly or explosively, without notice.

The Coca-Cola Company’s mishandling of a product contamination crisis in Europe during the summer of 1999 is a case in point. A bad batch of CO₂ found its way into Coca-Cola products bottled in Belgium and onto grocery store shelves in the cities of Bornem, Lochristi, and Kortrijk. When reports of school children feeling nauseous and seeking hospital treatment after consuming Coca-Cola products hit the local press, company executives dismissed the incidents as overblown and “hardly a health hazard.”

CEO Doug Ivester, in fact, was in Paris at the time of the incident, yet chose to fly back to Atlanta rather than address it directly. He not only misread local sentiment regarding the company’s obligations but failed to grasp the larger cultural implications of the crisis. Belgian Prime Minister Jean-Luc Dahaene had been forced out of office because of a scandal involving contamination of the food supply, and others seized the opportunity to take cheap shots at the American soft drink giant. Sweden’s *Svenska Dagbladet* proclaimed,
“200 Poisoned by Coca-Cola,” and Italy’s La Stampa declared, “Alarm across Europe for Coca-Cola Products.”

Following a recall of the company’s products that cost $103 million over a six-week period and resulted in a drop of more than 20 points in Coca-Cola’s share price, the brand did recover. It took just less than a year for consumers in Europe to resume their pre-crisis consumption patterns and for the company’s stock value to return to the $75 per share level. The damage to the company’s reputation cost Doug Ivester his job, however, as key investors lost confidence in his ability to protect the brand.

Other crises are years in the making. On the morning of February 5, 1995, Jim Adamson arrived at the corporate offices of Flagstar Companies in Spartanburg, South Carolina. As the firm’s newly appointed CEO, his task was to reshape the future of a troubled company. His predecessor, Jerry Richardson, had struggled to keep the company alive with $2.3 billion in debt from a series of restructuring attempts. Despite those efforts, the company lost money for five consecutive years from 1985 to 1990.

More ominously, Adamson had to confront the issue of racial discrimination. Flagstar was the parent company of Denny’s Restaurants, a chain of restaurants that had become a symbol for racism in the United States. He also had serious questions about the company’s business model as a holding firm for quick-service and convenience-dining restaurants. With few assets and no experienced management team at his disposal, Adamson was brought to Flagstar from his position as CEO at Burger King by Henry Kravis, the New York junk-bond buyout king from Kohlberg Kravis & Roberts. His instructions were clear: Turn this company around. Make money or make way for someone who can.

Each of these events represents a crisis and a potential threat to the reputation, financial health, and survival of the companies involved. And while each executive responded in a different way to the threats, each was faced with a moment of decision. “What am I facing, and what shall I do?”

CRISIS DEFINED  Let’s draw a line between business problems and a genuine crisis. “Problems,” according to author Lawrence Barton, “are commonplace in business. What differentiates crisis from the routine or even extraordinary management dilemma is this: a crisis is a major, unpredictable event that has potentially negative results. The event and its aftermath may significantly damage an organization and its employees, products, services, financial condition, and reputation.”

Ordinary business problems can be addressed in a limited time frame without arousing public attention and draining the resources of an organization. By contrast, a crisis is more expensive and often takes considerable time to understand and react to. And, of course, a crisis is far more threatening.

TYPES OF CRISES  Some professionals draw further distinctions within crisis management, observing that some crises are internal in nature. Think of the accounting scandal and misappropriations for which Tyco CEO Dennis Kozlowski was convicted. The problems were almost entirely internal, as were those created by William Aramony at United Way. By contrast, other crises are external or oppositional in nature. When People for the Ethical Treatment of Animals attacked Procter & Gamble and its Iams Dog Food division in March of 2003, alleging mistreatment of animals in a research facility, the crisis involved one organization opposing another.

PREPARING FOR A CRISIS  When it comes to crisis communication, British physician Thomas Fuller got it right in 1732, when he wrote, “A man surprised is half beaten.” Clearly, it pays to be prepared.
“Preparedness planning is definitely not a waste of time,” says J. Adaire Putnam, partner and Midwest director of the public relations firm Ketchum. “Because, when a crisis strikes, it usually strikes without warning, only giving you time to react and respond to whatever it triggers. Your foresight in getting ready for a crisis,” she says, “will get you 80 percent of the way at a time when—in the chaos a crisis unleashes—all you can afford is the time to go the additional 20 percent.”

How an organization reacts to an incident or emergency can be a defining moment that can salvage or destroy a reputation. And it is often impossible to know when an emergency will occur. Arthur Andersen’s accountants, Firestone Tire’s executives, the makers of Tylenol, and Wendy’s restaurant officials certainly didn’t anticipate a calamity happening to them. But managers with responsibility for safeguarding the reputation of a product, a brand, or an organization can certainly prepare for communicating in a crisis.

Here are five rules that Adaire Putnam thinks all managers should consider as they approach crisis communication:

1. **Develop a detailed crisis management action plan that includes detailed research.**

   “Assess all potential issue-and-crisis vulnerabilities and plan accordingly,” she says. With a system in place, you’ll be less likely to waste valuable time trying to decide how to communicate. When cable-TV operator Cox Communications prepared for contract negotiations with broadcasters in 1999 to carry their programs, the company asked Putnam and her firm to help manage the issue because if the programming agreement were to fail, it would result in a “dark channel.” Careful research helped the company define their message points, audiences, and best position on the issue. When a crisis struck on New Year’s Day 2000 and Fox Television precluded Cox subscribers from watching college bowl games and the NFL playoffs, the crisis communications plan went into effect. Cox and their partners at Ketchum continuously reviewed media treatment and customer correspondence to determine the effectiveness of their strategy and message points.

2. **Set specific objectives and principles.**

   The Cox Communications crisis-preparedness plan established three objectives: to motivate broadcasters to provide retransmission consent, to minimize customer defections to satellite, and to minimize the damage to the company’s public image. Those objectives each proved to be measurable and achievable.

3. **Establish a crisis-control team and an outline of responsibilities and authority for taking action when a crisis develops.**

   Decide who will comprise your crisis team, creating that team around the expertise you will need and the personalities involved. Assign at least one hands-on person, says Putnam, as the crisis-communications team leader and then choose a backup.

   Additionally, you must select your primary and secondary spokespeople. Line up the outside experts and help you will need, possibly including outside legal counsel, an environmental cleanup expert, and mental health workers for trauma victims, among others. Develop a communications contact tree with everyone’s phone numbers on it, including cell phones, and make sure they’re updated regularly.

   Contact a local hotel or motel and inform the proprietor that a day may arise when you will need all the rooms and you’ll pay what he or she wants. Establish a “war room” or conference facility where the entire team can work. Make sure there are enough phone lines there and that those in the room will have cell phone service.
Also, establish a separate press room away from the “war room” so that the media won’t know who is there and demand access to other potential spokespeople.  

4. **Speak with one voice.** Create a communications plan that ensures all of your stakeholders—employees, customers, suppliers, community, regulatory officials, and others—receive the same clear, valid information. Consider making your Web site or even a special crisis Web site the place to get crisis-related information.

Your Web site can prove invaluable for responding to a crisis, explaining the company’s position, or rallying public support behind an issue. In September 2004, when the pharmaceutical firm Merck & Company made the decision to pull its important pain-killing drug Vioxx from the market, company vice president Joan Wainwright realized she would have to reach millions of concerned patients, physicians, pharmacists, and others. More than 100 million prescriptions had been written for the drug. Within 60 hours of the initial announcement, she and her communications team launched a Web site at www.vioxx.com and established a toll-free telephone number to answer questions and address concerns.

During October and November 2004, Merck’s public affairs efforts generated more than 4 billion media impressions on the topic. The company’s Vioxx Web site traffic grew from about 4,000 daily visits on September 29 to 234,000 on October 1. By early December, the vioxx.com Web site had attracted more than 2 million visitors, and the company’s merck.com Web site had experienced an additional 1 million visitors. The team’s toll-free telephone number received more than 120,000 calls in the first 6 days following the announcement. Additionally, the company reported issuing more than a half-million refunds for Vioxx prescriptions worldwide. Without the Web presence and a competently staffed call center, Merck would simply not have been able to address the enormous public concern that arose literally overnight.

5. **Train for a crisis.** Develop scenarios in advance and work out responses on a case-by-case basis. Anticipating what information you will need can help to ensure that you have it when a crisis occurs. Establish what-ifs, contingencies you can employ if needed and experts you can tap to work side-by-side with you. Consider holding a mock crisis, a simulation, to test your procedures and better prepare your team and its resources.

Prepare background materials that will be needed, including press release templates, fact sheets, biographies, and position statements that can be formatted for easy revision and updated during an actual crisis.

In May 2005, FedEx gathered its main communications forces for such a crisis simulation. It was a global exercise involving more than 75 participants from FedEx’s four operating companies in offices around the United States, Europe, Asia, Canada, and Latin America. FedEx and their partners at Ketchum developed a scenario involving a terrorist attack on the FedEx system, infecting employees around the globe with a chemical warfare agent. FedEx communicators faced the threat of serious damage to the company’s reputation and the possible shutdown of the entire system.

Armed with 93 scripts that advanced the storyline, facilitators in seven cities role-played a variety of FedEx personnel, media outlets, and customer contacts to make the situation as real as possible for the players. After the exercise, facilitators addressed gaps that the simulation exposed and incorporated the best practices that emerged into all FedEx communicators’ crisis processes. The company also made a commitment to testing its crisis preparedness annually.
“Preparation really is the key,” says Adaire Putnam. “Simply expect the unexpected. The better prepared you are for the worst to happen, the more quickly and effectively you can respond. The best way to manage communications during a crisis truly is to plan for it in advance.”

For Further Reading


Endnotes

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15. Ibid.
16. Ibid.
17. Wainwright, J. Vice President for public affairs, Merck & Company, in a teleconference interview from her offices at Merck corporate headquarters, Whitehouse Station, NJ, December 9, 2004.
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19. Putnam. In a personal interview with the author.
CASE 2-1  Starbucks Corporation: Can Customers Breastfeed in a Coffee Shop?

Audrey Lincoff sat back in her office chair, looking at the numerous newspaper articles that covered her desk. As the spokeswoman for Starbucks, she knew she played a major role in Starbucks response to the current dilemma. The question was all over the news and the office: How would Starbucks handle the pressure from a new activist group, breastfeeding mothers? Led by a powerful woman and skilled negotiator, the disgruntled breastfeeding mothers gathered at a Maryland Starbucks to stage a “nurse-in.” Ms. Lincoff worried about the media attention and had to make a decision: cater to the group’s demands or ignore them in hopes that they would either fade away or choose another target.

History of Starbucks Coffee Company

Starbucks began as a coffee importing and roasting company in 1971. The Seattle-based corporation was named after the first mate in Herman Melville’s classic novel, *Moby Dick*. The name reflected the quirky nature of the company’s founders, Gerald Baldwin, Gordon Bowker, and Zev Siegl, who had become friends during their college days at the University of Seattle.¹

The Starbucks Coffee, Tea, and Spice Company sold roasted coffee beans to restaurants and to the public from its store in the Pike Place Market next to Puget Sound. Starbucks had grown to four stores by 1982, the year their Hammerplast sales rep decided to pay them a visit. Howard Schultz was selling a lot of coffee percolators to the little company in Seattle; he flew out from New York City to see why. He fell in love with the company and pushed the founders to create the job of Director of Retail Sales for him.

The next year, Schultz spent his vacation in Milan. He experienced Italian café culture and realized America had nothing like it. More importantly, he decided America was ready for such a “third place,” a location outside of the home and the office for people to gather. However, his employers did not share his vision. Schultz left to follow his dream, starting the Il Giornale chain of cafés in the Seattle area in 1985.

Two years later, Starbucks’ owners decided they were ready to leave the coffee business. Schultz put together a group of investors, including Bill Gates, Sr., and bought the company. He rebranded the Il Giornale stores as Starbucks and didn’t look back. It took him five years to prepare the company for a public offering, but by 2004, SBUX was number 8 on *Fortune* magazine’s list of “America’s Most Admired Companies.”

Since 1987, the company has expanded at an astonishing rate. Schultz’s hunch was right; America was ready for the third place provided by Starbucks. In 1987, Starbucks opened its first store outside of the State of Washington. Over the next eight years, the company spread throughout North America before opening its first overseas location in Japan. The company continues to open new stores at an impressive rate: 1,500 new stores have been planned for 2006. Starbucks has also grown through licensing relationships and by offering bottled drinks and bags of coffee for sale in grocery stores. Retail sales for 2003 were $3.45 million.²

Corporate Culture

Starbucks’ unique culture was what led Howard Schultz to leave his successful appliance sales career and move his family from one coast of the country to the other. As it has grown, the leadership has been careful to maintain and grow the company’s culture. As
Schultz has said, “Building Starbucks has been very much about building the company my father never got a chance to work for.”

All Starbucks’ employees who work more than 20 hours per week are eligible for benefits. The company also works with the farmers who grow the coffee beans to improve their lives, as coffee growing regions tend to be very poor and the cost of coffee has been depressed because of over-supply. Starbucks’ baristas tend to be proud of both the company they work for and the training they receive. Upper management is more diverse than most large companies in the United States. All of this has built the company’s reputation for being progressive, even liberal, for a large corporation.

Training

Barista training involves 20 hours of online and in-store on-the-job training. Many of the stores have wireless Internet routers. While the wi-fi connection is a great draw for customers, it also complements the company’s training program. After entry-level training, advanced programs are also available online, including the recently introduced “black apron” training for baristas to achieve Coffee Master status.

The management training program involves another ten weeks. Starbucks knows that an important part of developing superior managers is making sure the right people go through the training program. Training for store development managers is conducted at headquarters in Seattle after the managers have worked for at least three months in a store.

Customers

While employees clearly come first in the Starbucks culture, the customer is a close second. Starbucks’ fourth guiding principle is to “Develop enthusiastically satisfied customers all the time.” “We recognized early on that the equity of the Starbucks brand was going to be the retail experience that the customers had in our stores,” says Schultz.

As an industry analyst recently noted, “The two things that make them great are real estate and making sure no one has a bad experience in their stores.” Schultz says this is because “our customers see themselves inside our company, inside our brand—because they’re part of the Starbucks experience.”

The Breastfeeding Protest: Got Milk?

On August 8, 2004, a new item was added to a Maryland Starbucks menu, but for a much younger crowd. About 100 people, including babies, the babies’ mothers and fathers, grandmothers and friends, filed into a Silver Spring, Maryland Starbucks coffee shop to stage a “nurse-in.” Holding signs, feeding babies, and passing out fliers on the benefits of breastfeeding, the mothers were focused.

The idea of the “nurse-in” began a month earlier, after a Starbucks’ employee received several complaints and asked Lorig Charkoudian to relocate to the bathroom or cover up as she breastfed her 15-month-old daughter in the Maryland coffee shop. Inspired by the incident, Lorig gathered about 30 mothers to breastfeed at the store and protest actions that they felt belittled the importance of breastfeeding, which they saw as a natural, healthy process. Lorig argued that covering is uncomfortable for the baby and that breastfeeding shows, in her words, “fewer breasts than the average beer ad.”

By 2005, Starbucks did not have an official policy regarding breastfeeding in its coffee shops. In Lorig’s case, the law was on her side. In Maryland, an act passed in 2003
prohibits stopping mothers from breastfeeding in public. Starbucks spokeswoman, Audrey Lincoff, responded by stating that “Starbucks complies with all applicable state and local laws regarding breastfeeding” and that Starbucks would “instruct our Maryland store partners to inform any concerned customer that by Maryland law, mothers have their right to breastfeed in public and to suggest to the customer that they either avert their eyes or move to a different location within the store.”

Unfortunately for Starbucks, Lorig was not satisfied with this effort. She wanted Starbucks to allow breastfeeding in all of its 5,882 U.S. shops. To support her efforts, Lorig started a Web site, www.nurseatstarbucks.com, to allow mothers to send letters to Starbucks chief executive, Orin C. Smith. “It’s all about public acceptance of breastfeeding,” said Lorig. Supporting mothers seemed to agree with the decision to use Starbucks for their demonstrations. One participating “nurse-in” mother responded by saying, “If you look at the clientele during business hours, you’ll find a lot of young mothers with children who come to congregate and talk. If they want to continue to attract this clientele, they need to change their policies.” On the other hand, a regular, loyal customer inside the shop at the time of the demonstration responded by stating that Lorig’s decision was an “overreaction” and that in a place where he is eating or drinking, a “nurse-in” was the last thing he wanted to see.

The Leader of the Pack

Lorig Charkoudian is no stranger to public confrontation and conflict. From the death penalty to elephant rights, she has been involved in a number of causes and movements. Recently voted one of “Maryland’s Top 100 Women,” Charkoudian has a history of public confrontation and public demonstrations.

From 1995 to 2005, Charkoudian served as the founder and executive director of the Community Mediation Program (CMP) in Baltimore. The CMP was established initially to help Baltimore residents resolve conflicts nonviolently but developed into a much larger program spanning the State of Maryland. She is also employed as an adjunct professor in the University of Baltimore’s Negotiation and Conflict Management Program. Charkoudian is the recipient of numerous local awards in the Baltimore area, including the Unsung Hero Award (1999), the Brick Award (1997), and the Human Rights Community Builder (1997). Thus, it would appear the breastfeeding conflict at Starbucks is not the product of amateur activists; it is led by an experienced professional who knows how to lead and convince others to follow.

Past Problems

The breastfeeding issue is not the first to involve conflict and controversy in a Starbucks store. In 1995, Starbucks’ Corporate Customer Relations Manager, Betsy Reese, became aware of several problems associated with an espresso machine purchased by a customer named Jeremy Dorosin. In just six weeks, the problem had escalated to a point unforeseen by any Starbucks executive.

In April of 1995, Mr. Dorosin purchased an espresso machine from a California Starbucks, which left him unsatisfied because of defects. Upon returning the machine for repair, Dorosin received a “loaner” from the company. Apparently pleased with the performance of the machine he’d been loaned, Dorosin purchased another as a wedding gift for a friend. Unfortunately, his friend found the gift to be in unacceptable condition—dirty, wet, and not functioning properly—as if it had been previously used. Embarrassed, Dorosin
returned the wedding gift to the Starbucks store and complained to the manager. After several interactions with the manager, the corporate service supervisor, and the district manager, no resolution could be reached. Even when Starbucks offered apologies and gifts, Dorosin responded with “too little, too late.” In response, he chose to take the disagreement public and confront the company in the media.\(^\text{18}\)

Jeremy Dorosin ran an advertisement in [the] *Wall Street Journal* on May 5, 1995, describing what had happened to him and asking if other people had similar or comparable bad experiences with Starbucks. In response, he received thousands of calls from angry customers, competitors, and employees. Although Starbucks’ and Dorosin’s stories differ concerning exactly when the company offered to apologize, one thing is crystal clear: the short timeline between problem and escalation. Between the first advertisement on May 5, 1995, until mid-June of that year, Dorosin received nonstop attention in four *Wall Street Journal* articles, three radio shows, three television program appearances, and one *New York Times* article.\(^\text{19}\) He even launched a Web site entitled, www.starbucked.com. Dorosin’s name serves today as a reminder to Starbucks of how small problems can escalate out of control.

**Breastfeeding Legislation**

On May 22, 2003, Maryland Governor Robert L. Ehrlich, Jr., signed legislation regarding breastfeeding in public. The State of Maryland Code, Title XX, Subtitle XIII states that:

- A mother may breast-feed her child in any public or private location in which the mother and child are authorized to be.
- A person may not restrict or limit the right of a mother to breast-feed her child.\(^\text{20}\)

This law gives a mother the right to breast-feed her child virtually anywhere in the State of Maryland but does not clarify whether or not an individual has the right to request that a mother cover her nipple during breast feeding.

Maryland was not the first to enact legislation specifically governing breastfeeding in public places. In fact, close examination of other state laws regarding breastfeeding reveals the complexity of the situation. By 2005, 16 U.S. states had no legislation exempting breastfeeding from indecent exposure laws. This leaves mothers who breastfeed in public at risk of violating a criminal statute.

Some states, such as Missouri, give mothers the right to breast feed in public, but with as much discretion as possible. Georgia laws previously incorporated similar language, until 2002 when it was removed. Conversely, nine states have legislation stating, “a mother may breast feed her baby in any location, public or private, where the mother is otherwise authorized to be, irrespective of whether or not the nipple of the mother’s breast is covered during or incidental to the breast feeding.” New Jersey and Connecticut state laws impose a fine and even potential imprisonment for persons discriminating against breastfeeding mothers. State law[s] in Hawaii and Illinois give breastfeeding mothers the right to bring proceedings against any person engaging in a discriminatory practice. Connecticut, Hawaii, and Louisiana refer to the restriction of the right of a mother to breastfeed her child as a discriminatory practice.\(^\text{21}\)

Not only do numerous state laws address public breastfeeding, but many states have enacted legislation regarding breastfeeding in the workplace, deferral of jury duty, and the exemption of sales and use tax on breastfeeding related items. Coincidently, Maryland was the first state to
exempt breastfeeding supplies from sales tax. Considering that thirty-four states have some form of legislation regarding public breastfeeding, it was becoming obvious to Starbucks management that breastfeeding mothers had become a powerful special interest group.

**Breastfeeding Everywhere**

Starbucks is not the only organization attempting to assess the impact that a breastfeeding policy (or lack thereof) might have on company performance. McDonald’s experienced a similar incident as women across the country protested at local fast-food restaurants in support of Jamie Lovett. Ms. Lovett was asked to stop nursing her 9-month-old at a McDonald’s in Birmingham, Alabama, on June 27, 2004. The McDonald’s manager referred questions to marketing representative, Stacy Cox, who could not be reached for comment.\(^22\)

Burger King also experienced a similar incident at a franchise in Salt Lake City. Burger King implemented a policy that allows breastfeeding in its restaurants the night before a scheduled protest. A spokesman for Burger King responded to the incident by saying, “We want to be a family-friendly place.” The new policy requires Burger King employees to ask complaining customers to move to a different area of the restaurant. While Burger King’s public apology and policy implementation satisfied the Utah woman, the same cannot be said for all breastfeeding advocates. Some women assert that a policy allowing breastfeeding is not enough. Advocates want restaurants claiming to be “family friendly” to provide a special room where mothers can breastfeed their children.\(^23\)

The array of responses from breastfeeding advocates makes it clear that satisfying all of their needs will be very difficult for any company. Any organization that succumbs to the demands of one breastfeeding mother will open itself up to even more demands. Organizations must decide how far is too far and address this issue before it becomes a major crisis.

**Going Forward**

Ms. Lincoff swept the clippings into a folder to take to the communications strategy meeting. She wondered what shape the final plan would take. She wondered what shape the final plan would take. Even a small incident could damage the brand if it were mishandled. As she headed down the hall, she thought about the conflicting goals of the stakeholders and possible ways to satisfy them. With growth and success in the marketplace come challenges and opportunities of many sorts; breastfeeding mothers and their babies appeared to be next.

**DISCUSSION QUESTIONS**

1. Should Ms. Charkoudian’s group’s demands be taken seriously, or are they just another case of ridiculous requests which can be safely ignored by the company?
2. Is there a reasonable way for Starbucks to satisfy all customer segments?
3. Assuming Starbucks adopts an official policy, how can it effectively communicate the policy throughout the company?
4. When state laws that affect store operations change, how can Starbucks communicate the new laws to stores in that state to ensure that all stores are in compliance?
WRITING ASSIGNMENT

Please respond in writing to the issues presented in this case by preparing two documents: a communication strategy memo and a professional business letter.

In preparing these documents, you may assume one of two roles: you may identify yourself as an external communication consultant who has been asked to provide Ms. Lincoff with advice, or you may identify yourself as a communication manager within Starbucks Corporation. Either way, you must prepare a strategy memo addressed to Ms. Audrey Lincoff, Vice President for Corporate Communication.

Your strategy memo should provide analysis of the business problem, the relevant background details, critical issues, audience factors, options for action, and your specific recommendations. Think broadly and provide comprehensive advice for Ms. Lincoff regarding the issue of customers breastfeeding in Starbucks stores.

You must also prepare a professional business letter for Howard Schultz’s signature. That document should be directed to Starbucks customers and should explain the company’s policy and the reasons why the company has adopted that policy. If you have questions about either of these documents, please consult your instructor.

References

13. Ibid.
16. Ibid.
19. Ibid.
CASE 2-2 August National Golf Club: Membership for Women or Staying the Course?

It was early November of 2002, and William Johnson—known to friends and associates as “Hootie”—chairman of the venerable Augusta National Golf Club, had just finished his last interview with one of several national news organizations. Speaking candidly about the club’s membership policies, Mr. Johnson had requested that his comments not be published until the following week. He also talked about how actions that had taken place over the previous seven or eight months would affect the 2003 Masters Golf Tournament, a competition that many people regard as the most prestigious golf event in North America, but one that was now shrouded in controversy.

The First Six Months

On Sunday, April 14, 2002, golfing phenomenon Tiger Woods had won the Masters Golf Tournament for the third time, having previously finished first in 1997 and 2001. News of his accomplishment—three victories by age 26, and two in a row—made headlines the world over. It was also during the 2002 Masters that Lloyd Ward, the chief executive of the United States Olympic Committee and an African-American member of the Augusta National Golf Club, commented to reporters that he was advising the leaders of the club to admit a woman and to do it soon. Mr. Ward said that he would work from within Augusta to lobby for women, adding, “Inclusion does not just mean people of color.” Little did Mr. Ward know (or anyone else for that matter) that his innocuous remarks would be the impetus for even more attention-grabbing headlines in the near future.

Martha Burk, 61, Ph.D., Chair of the National Council of Women’s Organizations (NCWO) read Mr. Lloyd’s comments and decided to take action. On June 12, Ms. Burk wrote a letter to William “Hootie” Johnson, Chairman of Augusta, telling him that “the NCWO knows that Augusta National and the sponsors of the Masters do not want to be viewed as entities that tolerate discrimination against any group, including women.” She then urged him to open their membership to women immediately, so that it would not be an issue when the tournament [the Masters] is staged next year.2
On July 8th, Mr. Johnson wrote Ms. Burk a brief, three sentence response, in essence stating that as a distinctly private club, Augusta could not talk about its membership practices with those outside the organization, and that he found her letter’s references to discrimination, allusions to the sponsors and setting of deadlines to be both offensive and coercive. The next day, Mr. Johnson issued a public press release lashing out at Ms. Burk and the NCWO. In that statement, he said that Augusta “will not be bullied, threatened or intimidated. Our membership alone decides our membership—not any outside group with its own agenda. There may well come a day when women will be invited to join our membership but that timetable will be ours and not at the point of a bayonet.”

On July 30, the NCWO sent letters to the CEOs of the television sponsors of the Masters—Citigroup, Inc., the Coca-Cola Company, General Motors Corporation (with a separate letter addressed to the general manager of the Cadillac Motor Division), and IBM Corporation—requesting that they suspend sponsorship of the tournament, since it is owned, controlled, and produced by Augusta National Incorporated, an organization that discriminates against women by excluding them from membership. A letter was also sent to Tim Finchem, Commissioner of the Professional Golfers Association (PGA) asking the PGA Tour to adhere to its written policy on discrimination (the PGA will not cosponsor an event with a club having discriminatory policies) by withdrawing recognition of any kind from the Masters Golf Tournament. Curiously, the letter did acknowledge that the Masters Tournament is not an “official” part of the PGA Tour.

In mid-August, Mr. Finchem replied to the NCWO, saying that they were correct in identifying the Masters as an event not cosponsored by the PGA, and as such, the PGA would be unable to require Augusta National to implement the PGA’s host club policy with respect to the Masters.

Leah C. Johnson, Director of Public Affairs for Citigroup, also replied to the NCWO, stating that, with regard to their comments about the Masters Golf Tournament, Citigroup had communicated its views privately to the management of the club. Finally, Rick Singer, Director of Worldwide Sponsorship Marketing for IBM, wrote to Ms. Burk and the NCWO, saying that IBM did not view sponsorship of the Masters as contradictory to the company’s long-standing commitment to diversity and support for women in business. Within days, Ms. Burk sent a follow-up letter to Samuel J. Palmisano, CEO of IBM, telling him that Mr. Singer’s letter was not responsive to points raised in the NCWO’s initial complaint. Specifically, the NCWO wanted answers to two specific questions:

1. “Is IBM’s policy on sex discrimination different from its policy on race discrimination?”

2. “How does IBM reconcile its sponsorship of the Masters with its written policies against gender discrimination, and specifically those policies against sponsoring recreational activities and organizations that discriminate on the basis of gender?”

IBM did not respond to the second letter. On August 30, in response to Ms. Burk’s letters to the tournament’s television sponsors, Mr. Johnson issued a press release, saying that the Augusta National Golf Club would not request the participation of any media sponsors for the 2003 Masters Golf Tournament. Instead, the telecast will be sponsored by the separately incorporated “Masters Tournament.” In his statement, Mr. Johnson said that because the NCWO’s true target is Augusta National, the sponsors should not be put in the position...
of having to deal with the NCWO’s pressure. After reading the press release, Martha Burk said, “I think they’re [Augusta National] doing what they can to avoid having a woman member. They’re willing to pay a lot of money to continue to discriminate. That’s what it comes down to.”

On the following day, August 31, the NCWO announced that it would focus its attention on the CBS Television Network and, on September 18, sent a letter to Sean McManus, President of CBS Sports, requesting that the network suspend broadcasting of the Masters Tournament. In her letter, Ms. Burk stated that if CBS Sports were to continue broadcasting the Masters Golf Tournament, it would be acting irresponsibly as a Federal Communications Commission licensee and as a corporate citizen because, she wrote, “use of the airways is not an entitlement; the FCC licenses broadcasters to operate in the public interest and broadcasters are mandated to act responsibly.”

On September 19, Sean McManus responded to Ms. Burk in a letter from CBS Sports, saying that, as a sports television programmer serving millions of men and women who eagerly anticipate and avidly watch the network’s Masters broadcast each year, CBS intended to cover the Masters, just as it has done for the past 46 years. To not do so, he said, would be a disservice to fans of this major championship.

### Augusta National Golf Club and the Masters Tournament

Located at what is now the corner of Washington and Berckmans Roads in Augusta, Georgia, Augusta National Golf Club was founded in 1932 and was designed by Bob Jones and Alister MacKenzie. Augusta’s membership is limited to around 300 persons and is one of the most exclusive private clubs in the world. Play on the course is allowed only from October to May. Membership in Augusta National is by invitation only, and there are currently no female members, although women played more than 1,000 rounds on the course last year, many more than were allowed at some other male-only clubs. Information about club membership is not easy to obtain, but as the controversy surrounding the club’s exclusionary policies began making headlines, some details began to emerge. The average [member’s] age, according to *USA Today*, is 72, and they come mainly from old-line industries: banking and finance, oil and gas, manufacturing, and distributing.

New members are nominated by existing members and are determined partly by how many current members die or leave. The waiting list is said to be about 300 with the chairman having the final say on who gets invited to join. Annual membership fees are in the $25,000–$50,000 range, with the chairman having control of the club’s purse strings.

Augusta National admitted its first African-American member in 1990, purportedly thanks to an inside effort led by Mr. Johnson before the club could become a target of protests.

The first Masters Tournament was held at Augusta in March of 1934 and was hosted by Bob Jones and Clifford Roberts, who served as chairman of both the club and tournament for another 43 years until his death in 1977. Originally called the Augusta National Invitation Tournament, the name was changed to the Masters in 1939. Beginning in 1940, the Masters has been held during the first full week of April on an annual basis (with the exception of 1943, 1944, and 1945 because of World War II). Steeped with tradition, the Masters is the first of golf’s four Major Championships to be played each calendar year. The other three Major Championships, in order of play, are the United States Open, the British Open, and the PGA Championship. The Masters is also the only Major Championship to be played at...
the same venue every year. In keeping with Mr. Jones’ and Mr. Roberts’ original concept for the tournament, the Masters is still an invitation-only event, and as such, it has the smallest playing field of any of the four Major Championships.

Each year, the winner of the Masters is presented with a green jacket. That jacket must remain at Augusta National, with the exception of the first 12 months during which the champion may take it home with him. The total purse distributed to the playing field in 2002 was $5.5 million with another $3.3 million going to charity. Award-winning columnist Ron Green Sr., who has covered golf for five decades, describes the emotional impact of the tournament on those who compete there: “The Masters has brought men to tears of joy and tears of sorrow. It has been a defining event in the lives of champions and it has scarred its victims for life.”

Augusta National operates the Masters independent from any golf organization. The club gets most of its money from an annual television contract with CBS Sports and sales from its souvenir store at the course. It is estimated that these “public” sources of revenue amount to about $20 million, an amount that is greater than the $15 million generated by membership dues (if the published but unconfirmed figures are accurate). Mr. Johnson has said, “Augusta National and the Masters—while happily entwined—are quite different. One is a private golf club. The other is a world-class sports event of great public interest. It is insidious to attempt to use one to alter the essence of the other.” Ms. Burk responded by saying, “The Masters, in my mind, is not tied at the hip to this club. An event of this profile could be held somewhere else.”

She also adds that a private club that hosts a public event like the Masters is not really private.

The Columbia Broadcasting System

The Columbia Broadcasting System was founded in 1927 and is currently owned by Viacom, Inc. The CBS Television Network has aired the Masters Golf Tournament on a one-year contract every year since 1956. The financial agreement between the Masters and CBS Sports has been kept private, and the contract is regarded as unique in comparison both to other sporting events and to other golf tournaments. Rather than bidding on the right to broadcast the tournament and then covering their costs by selling advertising time, the Augusta National Golf Club essentially covers CBS’s production costs. CBS is then permitted to show just four minutes of commercial advertisements an hour. With so little commercial time for sale, the Masters has never been a moneymaker for CBS. Analysts have estimated that, in 2002, fees paid to CBS were approximately $5 million, as compared to an average price range of $8 to $20 million for other popular golf tournaments. There is some speculation that the club may be forced to lower the fee even further and make up the cost difference by raising ticket prices and selling more merchandise. However, CBS regards its broadcast of the Masters as a privilege, as it is traditionally the highest-rated televised golf tournament of the year.

The Sponsors

Each of the television sponsors of the Masters Golf Tournament has a corporate policy forbidding gender discrimination. Ms. Burk and the NCWO acknowledged this fact in each of the letters sent to the companies, asking them to suspend their sponsorship of the Masters television broadcast.

Citigroup Corporation

Citigroup Corporation (originally known as The Travelers) has been a sponsor of the
broadcast for many years. Ms. Burk praised Citigroup for the creation of its corporate division, Women and Company, and acknowledged that they had been chosen as one of the “100 best companies for working mothers” in 2001.  

**The Coca-Cola Company**  
Coca-Cola has been a sponsor of the tournament for only one year. In her letter to Coca-Cola’s chairman and chief executive, Ms. Burk applauded the company’s November 2000 agreement to engage an outside panel to monitor pay and promotion of minority and women workers. In a nonpublic manner, Coca-Cola’s CEO Douglas Daft had tried to influence Augusta National’s policy with seemingly little effect. The company’s talks with both Augusta National and the NCWO were reported to be friendly and noncontentious.

**IBM Corporation**  
IBM (formerly International Business Machines) has been a sponsor of the Masters for only one year, as well. In her letter to IBM, Ms. Burk pointed out that their decision to continue sponsoring the Masters broadcast directly contradicted their actions regarding race discrimination issues involved with the PGA Championship, held at Shoal Creek Golf Club in Alabama in 1990. IBM withdrew its sponsorship when it was revealed that Shoal Creek discriminated against African Americans.

**Cadillac Motor Division, General Motors Corporation**  
General Motors’ Cadillac Division has a long history of sponsoring the Masters broadcast. A press report from Cadillac spokesman Jeff Kuhlman noted that since Cadillac is the official car of the Masters Tournament and not the Augusta National Golf Club, sponsorship would continue.

**The Professional Golfers Association**  
The Professional Golfers Association (PGA) of America was founded on April 10, 1916, in New York with 35 charter members. Since its inception, the PGA has grown into the largest sports organization in the world with more than 27,000 dedicated men and women golf professionals who promote the game of golf to everyone, everywhere. The PGA conducts some 40 tournaments a year for PGA Professionals, but the Masters Golf Tournament is not an event cosponsored by the PGA Tour. The PGA Tour does require that host clubs of their cosponsored events, with whom they have contractual relationships, maintain membership policies under which membership is not restricted on the basis of race, religion, sex, or national origin.

**The National Council of Women’s Organizations**  
The NCWO is the nation’s oldest and largest coalition of women’s groups. Its 160 member organizations represent women from all socioeconomic and demographic groups and collectively represent more than seven million women nationwide. NCWO member organizations include grassroots, research, service, media, and legal advocacy groups. They work together to advocate change on many issues of importance to women, including equal employment opportunity, economic equity, media equality, education, job training, women’s health and reproductive issues, as well as the specific concerns of mid-life and older women, girls and young women, women of color, business and professional women, homemakers, and retired women. NCWO decisions are made by a simple majority vote at bimonthly meetings where each dues-paying organization has one vote. An eight-member Steering Committee publicizes and implements these decisions. When the Council is not in session, the Chair is authorized to speak for the Council if the policy issue is clear.
New Voices Are Heard

Clifford Roberts, who ran the Augusta National Golf Club with an iron fist for 45 years, actively recruited corporate chiefs as members from the club’s inception. (It is important to note that Augusta National has only individuals as members, not corporations or organizations.) The CEOs appreciated having a golf club to visit in the winter, even though many of them did not golf there frequently. The local Augusta members are said to appreciate that. Many of the prominent CEOs of large national companies are still viewed as outsiders. Confrontations are not usually welcome or well received. Prudence and discretion reign.²⁵

In late September of 2002, Ms. Burk began sending letters to CEOs and other prominent members of Augusta National, asking them to explain why they belong to a club that has no female members. “We’ll ask them for on-the-record statements about how they reconcile membership in the club with their corporate codes of conduct and their marketing practices to women,” said Ms. Burk.²⁶ A few club members, speaking on the condition of anonymity, said that they had become distressed by the confrontational approach taken by Mr. Johnson. This loosely knit faction could be characterized as an outer circle that lives and works outside of Georgia, choosing to communicate with one another more frequently as the dispute escalated. Some have said they will press their case to various members privately.²⁷

On October 4, Sanford I. Weill, the chairman and chief executive of Citigroup, became the first corporate executive to openly offer his support to the women’s organization. A Citigroup statement signed by Leah C. Johnson, Director of Public Affairs, sent to the NCWO said that Mr. Weill had “expressed his views to the Augusta National Golf Club and will continue to engage in what he hopes will be a constructive dialogue on this issue, toward an objective that he believes we share with your organization. However, he respectfully intends to keep this dialogue private.”²⁸

Within a few days, members Lloyd Ward, the chief executive of the United States Olympic Committee, and Kenneth I. Chenault, the chief executive of American Express, also offered their support for the inclusion of women as members at Augusta. In a letter to Martha Burk, Mr. Ward said, “I am committed to breaking down barriers which exclude women from membership at Augusta in the weeks and months ahead.”²⁹ And in a statement released through American Express, Mr. Chenault said, “I believe women should be admitted as members of the Augusta National Golf Club. I have made my views known within the club because I believe that is the most effective and appropriate way to bring about a change in membership policy.”³⁰

Ms. Burk said in an interview that she was gratified by Mr. Ward’s letter because “it’s strongly worded and puts a short time frame on the issue.”³¹ Ms. Burk also said that she believed that the position taken by these men would lead to more Augusta members to push for the admission of women. The Augusta National Golf Club had offered no public announcement with regard to these latest revelations.

Will the Real “Hootie” Johnson Please Stand Up?

William “Hootie” Johnson, 71, is a native of Augusta, Georgia, who attended his first Masters when he was four and has been the chairman of the Augusta National Golf Club since 1998. His recent actions concerning female membership seemed to be an enigma. Four years earlier, Mr. Johnson brokered a deal in which South Carolina became the first major college to name its business school after a woman, New York investment banker Darla Moore. He also invited the University of South Carolina women’s golf team to play at Augusta. I. S. Leevy Johnson,
one of three African Americans elected to the South Carolina state legislature in 1970 with Mr. Johnson’s backing, spoke about female membership at Augusta saying, “I think it’s inevitable. If anything, I think this controversy has delayed it. In my opinion, [Mr. Johnson] was already trying to do it on the inside.”

Martha Burk, as chair of the NCWO, has made it clear that her battle with the Augusta National Golf Club is not, in any way, a legal issue. As a private club, Augusta has the legal right to set its own policies, but Ms. Burk indicated that they have the moral imperative to do better. When asked why Augusta National and why now, Ms. Burk said, “Because it’s the home of the Masters, it is highly symbolic. It reminds women of the glass ceiling and unequal pay and all the reasons women are running second in America.”

Ironically, Ms. Burk’s brothers and cousins called her “Hootie” as a youngster. “It is strange how that worked out,” she says.

The Final Word?

On November 12, Mr. Johnson’s remarks to the press were finally published. He adamantly affirmed his stance against admitting a woman to the Augusta National Golf Club anytime in the near future. In an Op-Ed article appearing in the Wall Street Journal, Mr. Johnson wrote, “If we wish to open all private organizations to men and women, as Ms. Burk and [the] NCWO wish to do with Augusta National, the end is near for many uncontroversial and long-standing private groups. Women’s colleges like Smith and Wellesley, historically black colleges like Spelman, the Girls Scouts of America, the Junior League, fraternities and sororities would all have to be dissolved or radically changed from the single-sex profile that has become an essential part of their character and, indeed, the reason they are sought after. Do they, too, ‘discriminate’?”

Mr. Johnson goes on to say, “Whether, or when, we have women as members is something that this club will decide alone, and in private. It is for others to decide, from where they stand, whether threat-based tactics are appropriate. But from here, it feels like some things are worth defending, and sometimes that means taking a stand. In my mind and in my heart, I know this is one of them.” When asked if Augusta National would try to proceed with the Masters tournament as usual, Mr. Johnson responded: “No, we won’t try. We will proceed. And will succeed.”

Martha Burk reacted quickly and with dismay to Johnson’s position. “If the decision stands not to admit a woman before next year’s Masters, then it’s a slap in the face to Augusta members who have spoken out asking for this discrimination to end.” Ms. Burk also said, “I hope cooler heads and rationality will prevail and they will come down on the side of fairness, regardless of what [Mr.] Johnson thinks. These guys are not Boy Scouts or Girl Scouts, they’re adult human beings, many of them CEOs of the largest U.S. corporations.”

In a statement made several weeks earlier Ms. Burk said, “It’s not our goal to aggravate Augusta National. Our goal is to get the club membership open to women—period. Some members of that community would like to characterize us as strident, which we are not. We are, however, resolved. And we all know there’s only one way for this story to end. It’s just a matter of time.”

And what of those members Ms. Burk refers to? The members who said they had expressed their views directly to Mr. Johnson or his allies at the club in the fall of 2002 were civilly told to back off on the issue, that their opinions were out of touch with the rest of the membership. With an agreement that they not be identified, one member said, “A few of us were made to feel like we should keep to ourselves on this subject, or maybe consider whether we belonged at Augusta National.”

Another said, “I was told that maybe I did not
understand the history and tradition of Augusta National as well I should.” A third member observed that “Some of us find this all needlessly embarrassing, but I believe we are a distinct minority. We are being told that maybe we don’t understand the way things are done and why, that this is a thing of principles, important principles, as they see them. It’s a strong, defiant attitude.”

When asked for his reaction to several members saying they want to see a woman member at Augusta, Mr. Johnson would only say, “I’m not going to talk about member issues. Those are private matters to be dealt with from within.”

“What [Mr. Johnson] means by that,” one anonymous member said, “is that those members have been or will be firmly reminded that they are violating a club policy by speaking out. They will be reminded that that is not the way things have been done around our club for decades and decades.”

DISCUSSION QUESTIONS

1. What are the basic business issues in the case?
2. Should women be invited to join Augusta National Golf Club? If so, when?
3. Who are the key stakeholders in this case? Does anyone have a stake in the outcome of this dispute other than the principals whose views have been aired in the media?
4. Should the NCWO continue to press this issue? If so, how?
5. What are the implications for both Augusta National and the NCWO?
6. What problems might prominent Augusta National members (CEOs, for example) face?
7. What other courses of action could have been pursued by key individuals?

WRITING ASSIGNMENT

Please respond in writing to the issues presented in this case by preparing two documents: a communication strategy memo and a professional business letter.

In preparing these documents, you may assume one of two roles: you may identify yourself as an Augusta National golf club officer who has been asked to provide advice to Mr. William Johnson regarding the issues he and the Club are facing. Or, you may identify yourself as an external management consultant who has been asked by the Club to provide advice to Mr. Johnson.

Either way, you must prepare a strategy memo addressed to William Johnson, Chairman of Augusta National Golf Club, that summarizes the details of the case, rank-orders critical issues, discusses their implications (what they mean and why they matter), offers specific recommendations for action (assigning ownership and suspense dates for each), and shows how to communicate the solution to all who are affected by the recommendations.

You must also prepare a professional business letter for Mr. Johnson’s signature. That document may be addressed to any of Augusta National’s corporate members. If you have questions about either of these documents, please consult your instructor.

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Our concern, of course, is whether or not this product, which is registered for animal feed, is somehow illegally finding its way into food that people eat.¹

Late in the afternoon of Friday, September 15, 2000, Laurie Gannon, Public Relations Director at Taco Bell Corporation, received a phone call from the company’s Government Relations team. Gannon typically receives periodic phone calls from this department, bringing her abreast of Taco Bell’s involvement with governmental agencies. When she picked up the phone, Laurie figured it was another update; however, things quickly took a turn for the worse. She was informed that a special interest group in Washington DC would hold a press conference early the next week to discuss Taco Bell–labeled taco shells sold by Kraft Foods, Inc.
Inquiring further, Laurie learned that the product in question—Taco Bell taco shells sold in grocery stores—might contain a corn ingredient unapproved for human consumption. Although the report specifically targeted taco shells distributed and sold by Kraft, the media and subsequent consumer reaction could potentially prove damaging to the Taco Bell brand.

Details were sketchy. Laurie was informed that the findings of a group known as “Friends of the Earth” would run in the Washington Post in their Monday print edition and that a press conference would follow. She quickly realized Taco Bell could be the subject of negative media exposure. Although the workweek was rapidly coming to a close, Gannon had to prepare a response—the phone call seemed perfectly timed so that Taco Bell would have minimal time to react. Nevertheless, she moved quickly, first notifying several key executives within Taco Bell as well as those at Kraft of this breaking news. Her weekend was spent tracking down all available information on StarLink, the unapproved corn ingredient in question.

The Recall

In the past several years, there has been much debate surrounding the side effects, if any, of [genetically modified] foods. Since these foods are a relatively recent discovery, there has not been an opportunity to study the comprehensive long-term effects. Accordingly, some countries and organizations have taken a hard stance on these “frankenfoods” and have enacted strict guidelines against their use. For instance, in 1999, the European Parliament imposed “tighter restrictions on the use of [genetically modified] products.”

This debate was the central argument by certain countries and nongovernmental organizations (widely known as NGOs) who publicly rallied against those who support the use of [genetically modified] ingredients. In August 2000, corn-based products became the focal point in this debate, as a series of tests had been conducted on 23 of the leading corn-based foods, including the Taco Bell Home Originals taco shells. These tests had concluded that the taco shells contained the “Cry9c” protein, a pesticide that had been deemed unfit for human consumption.

In less than a week after the group’s findings became public, Kraft announced a voluntary recall of its entire line of Taco Bell Home Originals taco shells and taco kits. The recall consisted of:

- Taco Bell Home Originals 12 Taco Shells
- Taco Bell Home Originals 18 Taco Shells
- Taco Bell Home Originals 12 Taco Dinner (12 shells, sauce and seasoning)

Kraft’s September 22, 2000, press release read, “Kraft has pledged full cooperation with [the] FDA . . . [and Kraft] will discontinue production of the taco shell products until . . . [the] products are in full compliance with all regulatory requirements.” In another statement issued by Kraft, the company asserted, “We estimate that approximately 2.5 million to 2.9 million boxes of product containing taco shells are affected by the recall. Kraft’s recall does not include any products sold in Taco Bell restaurants.”

Taco Bell Corporation

Taco Bell was founded in 1962 by Glen Bell in Downey, California. Mr. Bell’s two taco stands quickly grew to become a popular restaurant concept, and in 1969, the company filed for a public offering. Growth continued at an unprecedented rate into the mid-1970s when Mr. Bell sold his 868 restaurants to...
PepsiCo, Inc., and became a major PepsiCo shareholder. Since then, Taco Bell has grown both in terms of revenues and units. Currently, there are approximately 7,000 units in the Taco Bell system.

Taco Bell is considered a quick-service restaurant (QSR) concept and operates in a very competitive climate, evidenced by the industry’s average annual growth rate of approximately 3 percent. QSRs are, therefore, compelled to grow their market share by stealing share from their competition.

In addition, growth is sustained through new product offerings and line extensions. Recent new product launches include the Grilled Stuft Burrito, the Gordita, and the Quesadilla. Examples of line extensions of these recent launches include the Steak Grilled Stuft Burrito, the Cheesy Gordita Crunch, and the Monterey Jack Quesadilla.

Operational efficiencies can also be realized. Currently, “multibranding” is a popular method to drive revenue and share. Multibranding exists where two distinct concepts (e.g., Taco Bell and Pizza Hut) are housed under one roof. This is typically a more profitable way to operate two restaurants, as opposed to operating two separate locations. According to Taco Bell’s parent organization, “These [multibranched] restaurants generate more cash flow per unit than [do] single-brand facilities.”

Unofficially, Taco Bell seeks to position itself as a “left of center” restaurant concept. While some competitors cater to primarily to youths or elder generations, Taco Bell prides itself on marketing primarily to the 18- to 24-year-old segment as these consumers help drive a large portion of the company’s revenues. In addition to its catchy marketing campaigns over the years, the company continually strives to generate “buzz” through creative advertising such as the April 1, 1996, fictitious purchase of the Liberty Bell and “free taco” giveaways. Taco Bell serves more than 35 million consumers each week in nearly 6,500 restaurants in the United States. In 2001, the company generated nearly $5 billion in system-wide sales.

Intrinsic to Taco Bell’s rapid growth was the early establishment of franchises. From the company’s first franchisee in 1964, these business partners and their respective restaurants have grown commensurate with the company, and as a result, the franchisees have developed into a powerful constituent within the Taco Bell system. To become a Taco Bell franchisee, one must first qualify by satisfying a series of financial and operational hurdles and later attend Taco Bell’s “Setting the Pace” training program.

Seeing the need to form a collective voice, the franchisees formed the Franchise Management Advisory Council. FRANMAC maintains a direct link with the Taco Bell executive team and regularly participates in business decisions, which include advertising, market development, and product offerings. In addition to [bimonthly] meetings of the FRANMAC leadership team, periodic “open FRANMAC” gatherings offer the franchisees, key vendors, and the Taco Bell executive team an opportunity to meet, talk, and resolve important issues. During those conferences, stakeholders are able to address issues surrounding the brand. By mid-2003, franchise units comprised approximately 80 percent of the Taco Bell system.

Seeking to concentrate on their core business of beverages and snack foods, PepsiCo, Inc., in 1997, divested their ownership of Taco Bell and formed Tricon Global Restaurants, Inc., a separate operating company. Under Tricon, Taco Bell's president reports directly to the President and CEO of Tricon.

In 2002, Tricon changed its name to “YUM Brands, Inc.” after acquiring additional restaurant concepts. Yum Brands (NYSE: YUM) handles many of the company’s shared services functions, including
investor relations. Yum Brands is headquartered in Louisville, Kentucky.

**Kraft Foods, Inc.**

Founded in 1903, Kraft Foods, Inc., is the largest food and beverage company in North America and the second largest in the world. From its modest beginnings as James L. Kraft’s cheese business, the company has expanded to a global conglomerate, marketing many of the world’s leading brands such as Nabisco crackers, Oscar Mayer meats, and Post cereals. In fact, an examination of Kraft’s history requires a look at the history of the food industry in general.

Mr. Kraft’s early success was found via his innovative way of producing cheese in 3½- and 7½-ounce tins in an effort to meet customers’ demands for longer shelf life. This production method was such a hit that Mr. Kraft obtained a patent for it in 1917 and began supplying cheese to the U.S. Army in World War I. Thus, the momentum from Kraft’s humble beginnings thrust it into the forefront of the food services industry as Kraft teamed up with other food industry pioneers throughout the twentieth century.

Acquired by Philip Morris in 1988, Kraft subsequently became united with many [food-service] companies, specifically General Foods, Oscar Mayer, and Nabisco.


In June 2001, Philip Morris spun off its food service subsidiary in an Initial Public Offering. Since then, Kraft (NYSE: KFT) has leveraged the legacy of its well-known brands and the character of its founders to position itself at the forefront of the food industry. Today, Kraft Foods manages more than 60 brands and—as company publications put it—Kraft continues the search for products that will fulfill the needs of families across the world.

**The Taco Bell/Kraft License Agreement**

On August 1, 1996, Taco Bell and Kraft announced the formation of a license agreement for Kraft to manufacture and distribute Taco Bell-branded taco shells in grocery stores. Kraft had a strong reputation within this distribution channel, primarily through the many products the company currently offered.

Although terms of this deal remained confidential, many agree that it was a standard license agreement, whereby ... Kraft (the licensee) would produce and distribute Taco Bell products, including the Home Originals line. Taco Bell (the licensor) would oversee the use of their logo and trademarks to ensure they are held to the highest standard. Representatives from Taco Bell and Kraft meet periodically to discuss, among other things, quality, financial and operational aspects of the agreement. In addition, they would have final say as to the use of the Taco Bell name in the marketing of Taco Bell’s products.

With Kraft’s superior distribution and national reach, this agreement is expected to help Taco Bell launch their brand on a national scale without Taco Bell bearing the entire cost of the rollout. Outsiders speculate that Kraft remits between 4 percent
and 6 percent of the taco shell revenues to Taco Bell.

Genetically Modified Foods

Genetically modified (GM) foods are produced from crop plants that are enhanced with molecular biology techniques. These plants have been modified in the laboratory to enhance desired traits such as increased resistance to herbicides or improved nutritional content. Rather than create these advanced qualities through the time-consuming process of breeding, genetic engineering can produce specific traits or characteristics in a fast and accurate fashion. For example, plant geneticists can isolate a gene responsible for drought tolerance and insert that gene into a different plant. The new [genetically modified] plant will gain drought tolerance as well. Furthermore, there exist certain naturally occurring bacteria that produce proteins that are lethal to insect larvae. The gene associated with this fatal protein can be transmitted into crops, thus enabling them to produce their own form of pesticide.

Some advantages of GM foods are associated with ensuring that enough food exists for the expanding population. Specific benefits include pest resistance, herbicide, temperature and drought tolerance; nutrition and pharmaceuticals. According to the FDA there are more than 40 plant types that have completed the necessary requirements for federal authorization. Though GM foods are not as prevalent in grocery store fruits and vegetables, they are common in vegetable oils, breakfast cereals and processed foods.

As one might expect, a certain amount of criticism also revolves around [the] notion of GM foods. Most concerns are associated with environmental hazards, human health risks and economic concerns as agribusiness is blamed for being driven by profit potential rather than health concerns.

Aventis and StarLink

Formed in December 1999 through the business combination of former pharmaceutical-chemical conglomerates Hoechst of Germany and Rhone-Poulence of France, Aventis is a world leader in life sciences. Focused on two core business areas—pharmaceuticals and agriculture—Aventis is dedicated to improving life through the discovery and development of innovative products in the fields of prescription drugs, vaccines, therapeutic proteins, crop production and protection, animal health and nutrition.

The pharmaceuticals business of Aventis is comprised of three main areas, including prescription pharmaceuticals, human vaccines and therapeutic proteins. The company’s agricultural arm, Aventis CropScience, focuses on the combination of crop protection, crop production and seeds businesses. Aventis also has an animal health joint venture called “Merial” with Merck & Co.

StarLink, developed by Aventis, is a [genetically modified] strain of corn engineered to produce a toxin to ward off crop-harming pests. This toxin is actually a protein called “Cry9c” which the EPA granted registration as a “plant pesticide” in August of 1998. This approval also enabled the corn strain to be utilized only for commercial use as animal feed. However, Aventis must ensure that systems are in place to prevent StarLink from entering the human food supply. In studies, this strain has withstood certain attributes that cause it to become “heat stable” such that it can withstand stomach acids and digestive enzymes. Accordingly, Cry9c is a potential allergen, the full symptoms of which are not known.

In April 1999, Aventis resubmitted a request to the EPA for approval of StarLink to be used amongst the human population, yet the EPA declined due to lingering concerns about allergens.
Aventis expanded the sale of StarLink globally, introducing the modified corn into the U.S. market in 1998. StarLink was first grown commercially in the United States in 1999, and by the year 2000, an estimated 2,000 farmers in 29 states planted the strain on 341,000 acres.37

**Friends of the Earth and GEFA**

Friends of the Earth was founded in San Francisco in 1969 and prides itself on being “at the forefront of high-profile efforts to create a more healthy, just world.”38 Friends of the Earth is a member of the Genetically Engineered Food Alert (GEFA) campaign. GEFA “supports the removal of [genetically engineered] ingredients from grocery store shelves unless they are adequately safety tested and labeled. . . . The campaign is endorsed by over 250 scientists, religious leaders, doctors, chefs, environmental and health leaders as well as farm groups.”39

GEFA is headquartered in Washington, DC, and has offices in Los Angeles, California. In addition to Friends of the Earth, the six other founding members of the GEFA include The Center for Food Safety, Institute for Agriculture and Trade Policy, National Environment Trust, Organic Consumers Association, Pesticide Action Network of North America, and the Public Interest Research Groups.

**Government Regulators**

Since the study of genetically engineered food products is still in its relative infancy, the United States government does not have a central agency to oversee the approval and use of [genetically modified] products. Three organizations within the United States federal government—the Environmental Protection Agency, the U.S. Department of Agriculture and the Food and Drug Administration—share oversight of [genetically modified] food to protect the public against genetically engineered organisms (including Cry9c).

**The Food and Drug Administration (FDA)**

The FDA evaluates food products when a new component is added to them. Although food and color additives undergo strict testing, genetically engineered foods have been exempted from these regulations and are not required to undergo any safety testing by the FDA. However, in 1992, the FDA decided before any products had reached the market that genetically engineered foods were “substantially equivalent” to traditionally bred conventional crops. Therefore genetically engineered foods are not required to undergo any mandatory pre-market safety testing or labeling. The FDA authorizes and communicates recalls.

**The Environmental Protection Agency (EPA)**

The EPA is chartered with ensuring that these crops go through a pre-market approval process to assess potential health and environmental effects. However, the Agency often relies on research that is submitted by the applicant, which potentially compromises objectivity.

**The United States Department of Agriculture (USDA)**

The USDA is responsible for determining whether genetically engineered crops pose threats to the environment and then regulating the growth of these plants, as well as overseeing the testing of crops that have not been approved for commercial growth. In the past, the USDA has been criticized as being inadequate and for allowing potentially harmful plants to grow virtually unregulated. The *New York Times* reported in November 1999, that “part of the problem, scientists say, is that the [USDA] has set no scientific standards for proving the environmental safety of a plant.”40
What Next?

When Laurie Gannon hung up the phone she realized that her weekend would not be spent at the beach but, rather, in her office managing this situation. Staring at the telephone, she wondered how to go about informing all the affected parties. Gannon knew she had to act fast as the story was scheduled to break in just 48 hours. [Whom] should she contact first? What should Kraft Foods do to address the situation? Would the public associate the product recall with the food served in Taco Bell’s restaurants? What would the risks be to the Kraft brand?

DISCUSSION QUESTIONS

1. Who are the affected stakeholders? Who is (are) the most important one(s)? Which stakeholder(s) should Ms. Gannon communicate with first? How should she go about doing this?
2. Since the study of [genetically modified] foods is not complete (i.e., no official conclusion on long-term effects has been identified), the use of [genetically modified] foods has become an emotional issue. How does Taco Bell manage these perceptions? Should Taco Bell continue to use [genetically modified] substances in its food?
3. How should Taco Bell communicate with Kraft? What can Taco Bell do to ensure that Kraft manages the situation appropriately? What issues are present in regard to Taco Bell’s relationship with Kraft? Has it been strained? What brand damage has been caused, if any? How can it be mitigated? Should Taco Bell contact media outlets regarding this issue or allow Kraft to take the lead given that it manufactured the corn shells? What communication channel(s) should be utilized?

WRITING ASSIGNMENT

Please respond in writing to the issues presented in this case by preparing two documents: a communication strategy memo and a professional business letter.

In preparing these documents, you may assume one of two roles: you may identify yourself as a Taco Bell senior manager who has been asked to provide advice to Laurie Gannon regarding the issues she and the company are facing. Or, you may identify yourself as an external management consultant who has been asked by the company to provide advice to Ms. Gannon. Either way, you must prepare a strategy memo addressed to Laurie Gannon that summarizes the details of the case, ranks orders critical issues, discusses their implications (what they mean and why they matter), offers specific recommendations for action (assigning ownership and suspense dates for each), and shows how to communicate the solution to all who are affected by the recommendations.

You must also prepare a professional business letter for the CEO’s signature. That document may be addressed to Taco Bell franchisees. If you have questions about either of these documents, please consult your instructor.

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