

THE IMAGE CRISIS AND ITS IMPACT ON THE REPUTATION OF AN ORGANIZATION. CASE STUDY

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Abstract

Organizations also face various types of crises; the image crisis being considered the most dangerous one. The effects of an image crisis can occur either immediately or after a certain period from the onset of the crisis, or, an image crisis primarily affects the identity elements of the organization. Minimizing or counteracting the effects of an image crisis requires the application of response strategies and techniques. As the local environment shows us, companies react differently to crises, depending on the severity of the situation, experience, professional training and knowledge. In order to set up a clearer and more eloquent picture of how things are in this regard, we set out to investigate the techniques used in the communication process by two food companies from the Republic of Moldova.

Keywords: *image crisis, food industry, communication strategies.*

The last decades are characterised by the companies' constant interest in developing efficient management strategies of the public image. A properly built and promoted image increases market competitiveness and credibility, configures brand equity and helps the company to act efficiently in a competition environment. During their different development stages, organisations are confronted with various types of crises, the most dangerous one being the image crisis. According to researcher Ion Chiciudean, an image crisis represents "the deterioration stage of the degree of notoriety, reputation and public trust that endangers the functioning or existence of an organization (...), the correctness and legality of the organisation's actions become the subject of public or legal debate" (CHICIUDEAN & ȚONEȘ, 2010). The effects of an image crisis may occur either immediately or after a certain period of time from the beginning of the crisis, and an image crisis mainly influences the identity elements of the organisation, the ones which are responsible for the representation

categories that the target audiences create in relationship to the organisation.

When a consumer chooses a product or service, the option stems from the relationship with the brand, prior experiences, brand trust and the expectations he has from that particular product or service. When a crisis appears, these relationships are jeopardized, since crisis attracts unexpected changes which affect the interests of the organisation by mainly diminishing credibility, subsequently attracting other consequences: financial losses, the loss of staff, declining sales and the deterioration of public image. The organisation affected by the image crisis becomes unrecognisable to the public or consumers, the clients start avoiding the products or services and there is a premises that "something is not right in the company."

Among the causes that trigger an image crisis we include the following:

- the lack of a strong identity, in other words, the lack of personality on behalf of the organisation, both on the inside, in the horizontal and vertical communication, and on the outside, with the clients, partners, distributors, investors, etc.
- the public image management process does not represent a priority for the organisation (especially for the organisations that have a monopoly on the market), or the organisation is not aware of the fact that preserving a positive image in the public space requires efforts and takes place according to some strict rules;
- the organisation cannot dictate to the media or the public opinion what to say and which aspects should be kept quiet and the organisation has to interest the press through

its activity and to take initiative in order to supply the press with interesting information.

Besides all this, the image crisis leads to a negative perception when it comes to the representation of the organisation in the public space and this leads to a deterioration of reputation. In this context, it is necessary to say that minimizing or counter reacting to the effects of an image crisis requires the use of some answer strategies and techniques based on openness, professionalism, communication skills and empathy. However, as our practical experience demonstrates, most of the times, companies adopt a defensive behaviour when they face a crisis. Best case scenario, the representatives of the companies offer some incomplete and evasive responses, since they are somehow obliged to answer to the press and, most of the times, they use the denial strategy, even though things are more than obvious. When a crisis sets in, usually the media is not perceived as partner or ally, but as paid enemies trying to always discredit. The specialised literature offers many image crisis management strategies, whose correct usage is directed towards minimising the negative effects on the companies. Some time ago, I. Pelea presented some essential steps in the eradication process of an image crisis, insisting on the following:

- Delimiting the badly-intentioned press documents and the serious tendency of the press to develop the subject, to study it more thoroughly;
- The study of the public opinion in order to decide how will the company react to those incriminated;
- The use of a well-trained person (he or she has to be a good public relations specialist), who has to officially represent the company during the crisis period and who becomes the only person authorised to communicate with the media institutions;
- Considering the press as an effective tool for distributing information to the company's target audiences and not as an enemy that seeks to discredit the company;
- Monitoring the appearances in the online environment, especially of the negative

commentaries when it comes to activity that takes place within the company, during periods of crisis (PELEA, 2010).

As the local environment proves, companies react differently according to the gravity of the situation experienced, their professional training and the knowledge held. The great dilemma refers to the fact that a crisis always appears unexpectedly, even though companies have a crisis cell and a crisis plan that can be activated if needed. They can be taken by surprise, the first reactions do not correspond to the established plan and therefore serious errors appear. The specialised literature offers many recommendations when it comes to image crisis management, as this subject has always represented a priority for many researchers. Even though it varies according to the structure and the nature of the activities, these recommendations have a common core, based on three essential elements:

- The company will avoid to pretend that nothing is going on. By ignoring what is happening to it, by hiding the details, by avoiding the subject and the comments, it shall do nothing but make the situation worse;
- The company will avoid to lie and postpone offering a reaction. We speak about the first hours which are crucial in the first hours following the crisis, the formation of the press institutions and of the public opinion;
- The company has to have a good reputation at the level of the community, people can also be empathetic.

The attitude that the company proves and the communication strategies applied during the crisis period shall influence the formation of the perceptions that the customers, the media and the partners of the company will create. The process of rebuilding the image involves time and consistent effort and assumes high intensity work. Restoring the positive image actually means restoring the reputation or returning to the state in which the organization meets the expectations of the public. Therefore, researchers propose various public image restoration strategies. We consider that the best model belongs to W. L. Benoit, who makes a distinction between:

- The strategy of denial (the organisation rejects accusations and denies the alleged facts);
- The strategy of intentionally ignoring responsibility (the organisation makes efforts to prove that it is not responsible for everything that took place);

According to the same author, the strategy of intentionally ignoring responsibility, can take place in different ways:

- Instigation – the organisation passes the blame, claiming that it was provoked by a third party to act in the way it did;
- Justification – the organisation accepts only a part of the blame, insisting on the idea that the configured situation was caused by factors over which it has no influence;
- The casual character – the organisation specifies the fact that the mistakes were random, with no intentional character;
- Good intentions – the organisation mentions that it acted in the benefit of its clients and that it did not have the slightest idea that things could turn out the way they did (BENOIT, 1995).

In order to have a cleared and more eloquent picture of how things are in this respect, we set out to investigate the techniques used in the communication process of two food companies in the Republic of Moldova: the “Panilino” company and “JLC” joint-stock company, each confronted with quite harsh image crisis. In order to fulfil our goal, we came up with the following objectives: the establishment of the influence degree of the image crisis on sales; the assessment of the crisis management techniques and the establishment of the consequences of the undergone image crisis. Systematizing the investigation framework, the general theoretical methods were applied: the analytical-synthetical method, abstraction, generalisation, induction, deduction. We also used documentation and the systemic approach. In order to obtain the pertinent results, we also resorted to sociological methods, such as the quantitative-qualitative analysis and case study, but also the following empirical methods: observation and data interpretation.

“JLC” joint-stock company is one of the biggest milk manufacturing companies in the

Republic of Moldova. It has revenues of over 300 million Euros and the motto of the company is *Quality and safety*. Some time ago, the company was the main character in a huge scandal regarding the quality of dairy products, in which the largest fraction of vegetable fats was detected, an aspect not indicated on the packaging of the products. The media portal *logos.press.md* presented a report issued by the National Agency for Food Safety (NAFS), which said that the company’s products contain vegetable fats which go beyond the allowed norm. The following day, most press institutions presented the same information. The company’s first reaction appeared the fourth day following the outbreak of the scandal, with the accusation that an “intentionally provoked” denigration campaign to the company’s image is taking place. Sources within the company deny the information, mentioning that the results of the expertise do not match reality. The company recognised that it uses vegetal fats in the composition of the dairy products, but it said that this information is clearly indicated on the label, which says “sour cream product,” “cheese product,” “therefore it goes without saying that it contains vegetal fats” (COTIDIANUL.MD, 2018). The response strategy of the company was that of denial and of not recognising the blame. Subsequently, the NAFS issued a disposition in which JLC as well as other similar companies in the industry are requested to stop selling the non-compliant products. The subject benefited from a huge interest on behalf of the press agencies which intensively publicized *the milk scandal*, as it was named back then. The reputation of the company was declining and surveys certified a substantial decrease of consumers’ trust in the quality of the products. At the same time, the company managed to prove that serious deviations were made from the product sampling methodology for laboratory expertise, specifying that only the laboratory test was performed, not the additional opinion test, which can confirm or refute the results of the laboratory test. Subsequently, NAFS performed another investigation which did not show any irregularities. At the legal level, the company was rehabilitated, but the effects of the media scandal continue to exist.

The company proved that it did not have a crisis cell ready to act efficiently or any crisis communication plan ready to diminish the attacks of the media institutions and preserve the trust of the consumers. Also, the first reaction was not one belonging to a communication specialist, but to the commercial manager, who was not able to convince the journalists.

Instead, the company became more efficiently involved in the image rebuilding process using all the tools of contemporary marketing. The company invited all its consumers on a trip, an invitation posted on the company's social media page, "to come and see the production process of the entire range of dairy products. At the same time, you have the opportunity to get answers to all questions regarding their quality" (TIMPUL.MD, 2018). The website was also improved and the company puts in a lot of effort to build the online brand, and therefore it increased traffic on the website of the company. It also came back to the initial level and it even increased the brand equity of JLC products. State-of-the-art information on the company's activities is constantly posted on the website and this facilitates access and brings customers closer. At the same time, promotions and product tastings are regularly announced, and the company is already more actively involved in sponsorship activities.

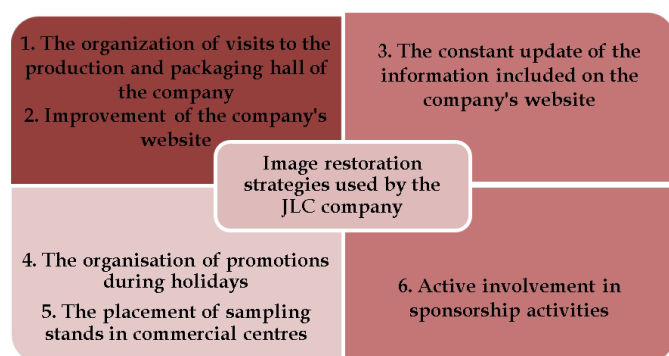


Fig. 1. Image restoration strategies used by the JLC company

"Panilino" trading company is specialised in the production of pastries and occupies a leading position on the market of the Republic of Moldova. The credo of the company is *quality service*, and the slogan is *sweet portions of happiness*. The company's products are exported

in Romania, Latvia, the Czech Republic, Germany and Poland. This company was affected by a serious image crisis following the publication of a release issued by the NAFS, which clearly stated the unsanitary storage conditions of the raw material and the products with expired expiration date. The search lasted for 9 hours, the control being an unforeseen one. In the release the inspectors wrote that products were found expired 7 years ago, hundreds of cakes with the production data modified, expired cookies, cockroaches on walls, faulty accounting documents, fake accounting bills and money not included in accounting. The first press institutions which presented the release were PRO TV, Jurnal.md, Adevărul.md, Adevărul.ro and realitatea.md. The following day the release was placed on the official websites of 23 other press institutions: televisions, newspapers and news portals. Many titles had a sensational character but they were equidistant in presenting data. Here are two examples: "Expired products in 2011, used in the production of cakes," "Horrible conditions discovered at a pastry in Ciocana: cockroaches and expired products." In the following days the information was also disseminated on social networks, where there were many negative commentaries. The company, however, continued to be silent and it did not present any reaction until the fourth day from the outbreak of the crisis. Things started to get out of control. Finally, the company became aware of the need to come up with a reaction and it organises a press conference where all the press institutions which negatively presented the company were invited. The company chose the strategy of denial, mentioning that the video from the survey does not present the actual state of things and that, by means of fake images, the competition tries to denigrate the image of the pastry before the upcoming Easter Holiday (AGORA.MD, 2018).

The crisis became even more serious in the following days as the number of articles which denigrated the image of the pastry factory were growing. Thus, the company understood that it had to react and it started to undertake various actions in order to save its brand reputation.

On the official webpage of the company and on social networks there were posts which promoted and image and the products of the company. Therefore, all the diplomas and certificates of the company were posted, the charity activities in which it got involved were clearly placed as well as the positive results and the successes of company throughout the years. It was a period of two weeks in which the company promoted its image more intensively than ever. The denial strategy was preserved up to the ending and the press did not manage to prove otherwise. The press did not even try to follow the finality of this scandal, the articles on this subject being fewer and fewer until it stopped presenting any interest.

This was a short-term informational scandal, but an intense one, which had negative latent effects on the image of the company. A month after the outbreak of the crisis, on the official website of the company and on social media networks announcements regarding vacancies were posted – auxiliary personnel and specialists-technologists. These announcements were valid for a series of weeks. At the same time, the company also focused on other image rebuilding techniques, such as the strategy of discounts. Therefore, there were discounts of up to 30% for a period of 10 days, for any products. Besides all this, other promotional activities were initiated such as gifts for important orders and samples, both at the company headquarters and at the mobile sampling points, in various stores such as Linella, Fourshette, which offered “Panilino” products, at a discounted price. At the same time, “Panilino” got very actively involved in charity projects. They visited the sick children from the “Mother and Child” Institute, the “Emilian Coțaga” Republican Children Hospital, as well as nursing homes. The company also participated in the “La cireșe” festival, which took place in the Botanical Garden, in Chișinău. The company made a huge cake, which was served to all visitors. In addition, the pastry administration distributed sweets and gifts to all the children present at this festival. To date, the company actively manages the information posted on the official website and on social networks and continues

to be actively involved in supporting national and international projects related to the development of young people’s professional skills and employment.

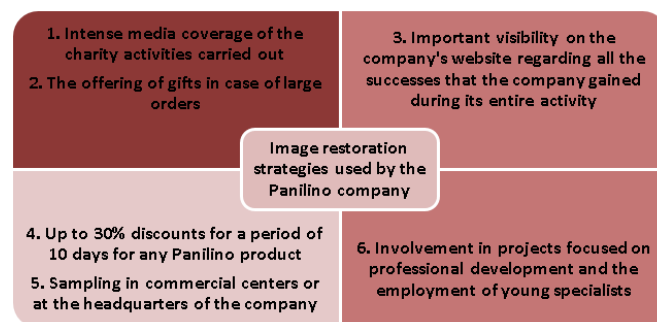


Fig. 2. Image restoration strategies used by the “Panilino” company

In conclusion, the analysis and assessment of the image crisis management process that these two companies were confronted with certified the use of a weak initial answering position to the extremely unfavourable wave of opinion. There was no coherent crisis management plan, no crisis cell was activated and there was no single spokesperson to interact with the media. The inconsistent and clumsy statements, sometimes even timid, animated the scandalous context even more, corroborated with the spontaneous impulses of denying and counterattacking. Instead, along the way, both actors realized that the position adopted was a bad one and took all the necessary measures to rehabilitate their image in the public space.

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