

Dancing in the Reputation Minefield

By
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& Peter Harris

In January 2007 it was reported in the press that Fujiya, the confectionary manufacturer, had been using expired dairy products in its cakes. When the extent of the scandal became clear, President Rintaro Fujii was forced to resign his position. Within three days, the share price fell by 18% and by March, the company had been forced to accept a bailout by Yamazaki Baking who acquired a majority stake of 35%.

Corporate disasters can unfold at lightning speed and with grave consequences. Mike Seymour, a PR professional with a broad experience of managing the response to crises told us that he has seen the landscape of crisis management completely change, “We used to talk about the ‘golden hours’ that you’ve got to move and communicate. Now of course, you can have situations where before the company knows what’s happening, it’s on the Internet.”

Seymour dealt with one crisis in the UK where a train crashed and it took the rail company management more than 20 minutes to find out exactly what had happened, but less than 10 minutes for the basic details to appear online.

Now International Director, Crisis Management and Crisis Communication with Edelman, Seymour gave presentations in Tokyo last month aimed at applying international best practice in a Japanese context. “It’s important for companies coming to Japan to understand how the different

priorities and cultural issues play out, to ensure that you can respond in a way that is appropriate to the market, but also if you are an American company, responding in a way that is going to be seen to be appropriate in the US context,” he says. A corporate crisis does not have to involve death and injury to have a devastating impact on a company’s ability to do business: even potentially less harmful issues, if poorly handled and left to fester, can lead to a full-blown crisis.

In June this year the Hida brand beef company was exposed for mislabeling its beef—they had been mixing low and high quality product and disguising its origin. When the scandal broke, President Akiuchi denied the allegation, much to the horror of his PR people, blaming the

problem on his employees. He later came clean and took full responsibility but the damage had already been done. The company gave the impression of being more concerned about protecting its reputation than its customers. The resulting media tsunami cost the company far more dearly than a product recall.

Indeed, the most recent wave of corporate scandals in Japan have tended to revolve around food. Paul Hasegawa, Executive Director of Cosmo PR, a Tokyo-based firm that has managed many food safety crises for imported items, believes the situation in the food industry is getting worse: “In Japan, if you handle yourself right, the public will give you a second chance. If you’re accused of covering up, then you’re dead,” he says



Disguising the origin and quality of meat has led to PR headaches

Image courtesy of Cosmo PR



Paul Hasegawa, Cosmo PR

If the number of corporate scandals in Japan seems to be on the upswing, one reason may be that whistleblowers have emerged as a force to be reckoned with in Japan, partly due to changed attitudes, partly due to the relative anonymity afforded by the Internet.

However, sensationalized media coverage around issues such as food safety frequently lacks balance and proportion. “The media, especially television, does not distinguish between quality control issues like mislabeling, and fraudulent business practices involving real food safety issues,” Hasegawa says. In fact, in relation to the Fujiya food scandal, broadcaster TBS was caught out for embellishing the facts with extra details concerning chocolate manufacturer. However, the President could do nothing but continue to make statements of apology.

To foreigners, the sight of a Japanese executive team bowing to the cameras or resigning to take symbolic responsibility for a crisis can seem ritualistic. But in Japan, if the CEO doesn’t resign when a serious crisis occurs, it may give the impression that a company isn’t showing sufficient remorse. US-based companies are often wary of apologizing due to fears of litigation, and while companies should not ignore legal advice, losing in the court of public opinion may be more damaging to a company than losing in a court of law.

“In Japan when a company apologizes, it is not necessarily an acceptance of guilt or blame, but when a company does something wrong, Japanese people want to see the company apologize,” Tohru Sakuwa says.

A former business journalist and author of several books on public relations, Sakuwa is Senior Director of Keizai Koho Center, an institute affiliated with the Keidanren (Japan Business Federation) that conducts research on business communication.

“In the past, Japanese corporate communication efforts were focused on supporting

““ If the CEO doesn’t resign when a serious crisis occurs, it may give the impression that a company isn’t showing sufficient remorse ””

sales. Crisis management and crisis communication were seen as being for airlines, electricity and gas utilities; companies statistically more likely to experience accidents,” Sakuwa says.

“Things changed in the 1980s and 1990s as the number of corporate scandals increased. Companies started to study crises, and created crisis manuals. But in a real crisis, people and situations don’t necessarily move according to a manual.”

Keizai Koho Center’s research has found that Japanese companies are devoting more resources to crisis preparedness and crisis response training, and according to Sakuwa, while Japanese companies aren’t very good at publicly establishing who was responsible for a scandal, they are good at making improvements once a crisis has occurred. “But it takes time for a company to make good on its promises, and by then the media has moved on to covering the next company and the next scandal.”

Handling new media

Increasingly, crisis planning will need to take into account not only sensationalized mass-media coverage, but the possibility that ‘citizen journalists’ may grab the steering wheel of public perception. In Japan, ‘personal reporting’ (*shiteki-na hodo*) has emerged as a social phenomenon: with web-based tools like Ustream and Twitter anyone can engage in live reporting.

Watching television news coverage of the Akihabara massacre, Keizo Kumazawa was shocked to see bystanders filming the aftermath with their mobile phone cam-

eras instead of trying to help the injured. As Deputy Managing Director of Edelman Japan, Kumazawa advises clients that dealing with rumors is one of the most important aspects of handling a crisis: “I’m very concerned because ‘citizen journalists’ are not professionals. Most of what they provide is likely to be rumor and speculation.”



Keizo Kumazawa, Edelman PR

Image courtesy of Edelman PR

Just as tabloid journalism is lowering the bar for journalism as a whole, 'citizen journalism' can lead mainstream media to further lower its standards (as when major news websites carried links to illicit video footage of the hanging of Saddam Hussein).

Professor Bob Steele, an expert on media ethics with the Poynter Institute in the US says that Internet-enabled communications have truly changed the media landscape, "The beauty of that is it allows all individuals, at very little cost, to have freedom of expression. The downside, of course, is that many individuals will act irresponsibly in doing that."

Given the growing difficulty of trying to manage a crisis in this increasingly fragmented media landscape, Seymour emphasizes the importance of putting early warning systems in place that can help detect

problems. "In 30-40% of cases I've seen, there have been signals that should have told us that something was going wrong."

"It's important to have systems in place so that people can recognize potential risk, potential problems, potential crises; and have alert systems to make sure we react at the right level. Under-reaction and over-reaction are equally dangerous."

For companies, internal systems to monitor trends in customer complaints may form part of this early warning system. Monitoring social media is another necessary task, since people are increasingly likely to take their dissatisfaction online and this is getting impossible to ignore. For example, WaiWai, the sensationalist tabloid website of the *Mainichi Shimbun* had been riding the wave of increased web hits—Anglophone readers logged onto read its spiced up

translations of racy stories from Japanese tabloid news weeklies. A growing volume of complaints by Japanese readers, appalled at the seedy image of Japan that was being projected, registered their anger in online forums such as 2Channel. The *Mainichi Shimbun's* owners were forced to shut down the WaiWai website—it remains to be seen if their actions were quick enough to stop irrevocable brand damage.

Social media is providing a voice to popular sentiment that is forcing even large media organizations to take notice, even to self-censor. What this will mean for freedom of the press remains to be seen, but one thing seems clear: management needs to have systems in place to detect potential problems before they arise, and when they don't, the need for speed is more critical than ever. **JI**

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