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# Crisis Management in the Hospitality Industry

## **Abstract**

The authors identify several guidelines associated with effective crisis communication for the hospitality industry and explore the feasibility of these guidelines based upon the diverse resources available to hospitality organizations of all sizes

# Crisis management in the hospitality industry

by Timothy Sellnow  
and Mort Sarabakhsh

*The authors identify several guidelines associated with effective crisis communication for the hospitality industry and explore the feasibility of these guidelines based upon the diverse resources available to hospitality organizations of all sizes.*

**T**he prevalence and peril of organizational crises are evident in the fact that “four of five major U.S. corporations have formal crisis communications plans in place for disasters and emergencies.”<sup>1</sup> Having a communication crisis plan available prior to a threatening event can help an organization offset some criticism by making a timely and accurate response to the crisis. Delivering a strategic response immediately following a crisis is essential because a failure to do so can “trigger a torrent of negative publicity.”

Although an increasing number of corporations are developing crisis management plans, many companies continue to focus on operations, rather than communi-

cation.<sup>2</sup> Clearly, few crises can be resolved without focusing on operations; however, the afflicted organization's reputation following the urgent period of the crisis is largely determined by how the organization communicates to the public and the press.

## **Crises are prevalent**

Crises are inevitable in the hospitality industry. In his study, Laurence Barton, associate professor of management and organization at Penn State University-Great Valley, illustrate that of some 802 business disasters from 1980 to 1991, nearly 8 percent occurred in the hospitality industry. Among the more prominent events are the lethal outbreak of Legionnaires' Disease at Philadelphia's Bellevue Stratford Hotel (1976), the MGM Grand Hotel fire in Las Vegas (1980), the Hyatt Regency Skybridge collapse in Kansas City (1981), the murder of 23 people at Luby's Restaurant in

Killeen, Texas (1991), and the deaths of two employees of Perini Construction who were killed during separate construction accidents at the 2,800 room Luxor Hotel and Casino in Las Vegas (1993).

The most profound crisis to strike the hospitality industry in recent years was the murder of 10 foreign and 12 American tourists in Florida during a one-year period, jeopardizing a \$31 billion tourism industry and leading Newsweek magazine to call Florida a "state of terror." The recent strawberry-hepatitis story continues to live on in the media. In a *Dateline* broadcast on April 21, 1997, the program covered the need for a so-called "food czar" to protect America's restaurant goers and supermarket shoppers.

In early 1993 Jack-in-the-Box, the San Diego-based company, experienced the first large-scale outbreak of *E. coli* 0157:H7. Several people became seriously ill and a child died as a result of eating a tainted burger. There was a barrage of negative attacks and publicity against Jack-in-the-Box restaurant chains, and the safety of eating hamburger was questioned across the nation.

In 1997 a recall of 25 million pounds of potentially tainted ground beef sparked the fast-food giant Burger King Corporation to sever long-standing ties with one of its biggest beef suppliers in an effort to reassure consumers about the safety of its hamburger. Burger King, based in Miami, was one of the nation's largest restau-

rant operators affected by the recall. The virulent form of *E. coli* contamination was a nightmare of negative publicity for the second largest burger chain in the U.S.A. Sixteen people in Colorado became ill in 1997 from *E. coli* food poisoning after they ate the meat processed by a Hudson Foods, Inc., plant in Columbus, Nebraska. The plant, Hudson's only facility exclusively devoted to beef processing, was a major supplier of burgers for Burger King and meatloaf for Boston Market Restaurants. It also supplied frozen patties to Sam's Clubs, Wal-Mart Stores and Safeway, Inc., Supermarkets. Hudson had to recall all production dating back to June 4, 1997, and shut down the plant pending the possible need for updating and for the completion of a U.S. Department of Agriculture investigation.<sup>3</sup>

### **Communication is important**

From the hospitality industry to individual operations, communication systems need to be developed to manage these kinds of crises. Restaurateurs have insurance policies covering every anticipated disaster, from kitchen fires and burglaries to severe accidents and liquor liability. Total insurance bills probably come to a percent of the annual take or sales. But, one of the most important insurance programs restaurateurs can arrange for their business is one that is free. Called crisis management or crisis communications, it is an essential program when a crisis strikes. The

restaurateur and business owner must communicate effectively with customers, employees, government officials, and the press. Failure to do so means risking long-term potentially fatal damage to a business.

No one is immune to food-borne illness outbreaks, and as long as the hospitality industry is put in the hands of humans, there will be occasional mistakes and ineptitude. According to the Centers for Disease Control, approximately 20,000 people a year are infected by *E. coli*. A crisis communications plan is essential for hospitality managers/owners to tell their side of the story and to preserve their image as professional, caring, and concerned citizens. According to Michael Fine-man, a public relations consultant in San Francisco, the first 24 to 48 hours in a crisis are critical; he offers the following advice:

- Do prepare a statement for the media; do be honest; and do designate a spokesperson.
- Don't speculate; don't speak about issues better handled by an attorney; and don't panic.

### **Industry has responded**

The first round of media coverage determines whether the company is seen as a victim or villain. The food industry's response to crises started in 1993. The National Restaurant Association helped to form the Industry Council on Food Safety. More recently,

the Industry Council spotlighted the safety issue even more with the formation of the Partnership for Food Safety Education, which includes the NRA, American Meat Institute, Food Marketing Institute, American Egg Board, National Cattlemen's Beef Association, and Produce Marketing Association, a major force of organizations involved in commercial food handling.

The response of a restaurant chain such as Burger King to such a crisis reveals some potentially effective communication strategies. Initially, the Burger King spokeswoman, Kim Miller, announced that Hudson meat had been pulled from about 1,205 restaurants in its central, lakes, and western regions. In some instances, restaurants were without sufficient supplies for a period of 24 to 48 hours while new sources were established. On August 25, 1997, Burger King and its National Franchise Association issued a statement to consumers noting that their burgers were again available at all stores. It also told its customers, "We are writing to assure you that the hamburgers we serve at Burger King are safe."

Burger King handled their crisis better than the Jack-in-the-Box restaurant chain. Food Maker, Inc., parent of the Jack-in-the-Box chain, was involved in the 1993 *E. coli* contamination recall in which four children died and 700 people fell ill. Food Maker, Inc. now has become one of the leaders in food safety operations. It has rebounded to be one

of the most profitable companies in the industry.

The NRA and other major hotel and restaurant chains do have sufficient resources to repair themselves after a crisis and return to the market with a new image and successful operations, but what about independent hospitality operators who do not have the resources, name, size, and expertise to handle their communication crisis? Independent operators have their own set of individual problems that must be addressed by owners.

#### **One spokesperson is best**

One survey showed that four of five major U.S. corporations have formal crisis communication plans in place for disasters, and because a decentralized structure is ineffective following a crisis, hospitality organizations communicate most effectively through a single spokesperson, typically the organization's owner or the corporation's CEO. This individual commonly addresses the media daily. For example, Robert Nugent, president of Foodmaker, Inc., emerged as the primary spokesperson when the corporations' Jack-in-the-Box restaurants were struggling to overcome an *E. coli* outbreak.

An organization's post-crisis communication must be fast and efficient; however, in making post-crisis decisions, organizations are best served by taking some time to evaluate the feedback related to the crisis. First, organizations should consider the needs of all

people affected by the crisis, including victims, the media, customers, regulatory agencies, investors, employees, and others. Organizations tend to fail when they do not solicit and adapt to such feedback.

Second, problems arise in post-crisis communication when organizations insist that, despite evidence to the contrary, no action is needed or that whatever strategy they adopt initially is sufficient. Williams and Olaniran also argue that organizations are likely to fail if they "avoid cues that stimulate anxiety or other painful feelings."<sup>4</sup>

#### **PR person is key**

In order to select the best crisis response strategy, the organization's public relations specialist should be a key figure throughout the post-crisis communication efforts. The restaurant's leadership must have a complete understanding of how the crisis is portrayed to customers. Public relations personnel are best prepared to collect and interpret this kind of information. Flexibility is also a vital component in post-crisis communication. No single approach will work for all crises. Instead, managers must study the crisis and adapt according to the feedback they receive.

For example, Schwan's Sales Enterprises' (Schwan's) crisis response to its salmonella evolved steadily as more information became available to them. Schwan's began with a recall of products even before they were formally confirmed as the source of a

nationwide salmonella outbreak. Once the source of the problem was identified as an external trucking agency, Schwan's announced an extensive list of preventative measures, including pasteurization of all ice cream products and internalizing the truck transportation activities. Schwan's also paid medical expenses for their customers who were suffering from salmonella poisoning. The company was able to accept responsibility without blame by compensating its customers and victims at the same time as announcing that the source of the outbreak resided within an external trucking agency. Each step in Schwan's crisis response involved adapting their strategy according to the information that was available.

Whatever the response, however, organizations are expected to communicate honestly.<sup>5</sup> Honesty is essential because any effort to mislead or cover up responsibility for a crisis is likely to be discovered by the media eventually. When inaccuracy of such claims by a restaurant is eventually revealed, as one public relations expert put it, "the press [will] eat you alive."

### **Responses must be timely**

When faced with crises, the overall goal for hospitality organizations is to move beyond the crisis as quickly and thoroughly as possible, while maintaining economic viability and social legitimacy. To some extent, the demands of each crisis are unique. Still, the existing rhetorical and public relations

research leads to several consistent guidelines for post-crisis communication. Although no guidelines can assure success, post-crisis communication is typically more successful in hospitality organizations if the organizations dedicate themselves to making open, timely, informed, and consistent responses.

### **Immediacy is necessary**

Successful organizations communicate openly and accurately to their multiple audiences immediately after crises occur. Withholding information or failing to be honest only exacerbates the crisis when, as is inevitable, the whole story is eventually known. The sooner a restaurant can share its message with the public, the better chance it has of avoiding negative publicity. As awareness of the crisis spreads, customers, investors, and regulators demand to see or hear a response from the organization. Failure to provide this response typically leads to added scrutiny from all interested parties. Thus, if a restaurant falls behind in its post-crisis communication, it relinquishes the opportunity to be proactive.

The most effective means for an organization to meet the expectation for a swift response is to have a crisis management plan in place. Crisis management plans enable organizations to avoid inefficiency by assigning roles in advance. Although larger corporations may have a staff in place to establish, test, and update crisis management plans, there is

nothing to preclude smaller organizations from developing such plans. A relatively simple plan that designates who will speak to whom, how and when to shut down the operation, and any other specific actions that might be needed could serve small organizations quite effectively.

#### **Decisions are required**

Despite the need for a candid and prompt response following a crisis, hospitality organizations must account for the fact that crisis situations are ambiguous. Finding the source of a food poisoning outbreak, for example, can take days or even weeks. Hence, a restaurant may have less time than it needs to decide between denying or accepting responsibility for a crisis. Moreover, the shock of a crisis can leave organizations uncertain as to how the crisis can best be resolved. Typically, organizations cannot be certain that they are making the best response until they enact a strategy and evaluate its results. Because of this ambiguity, successful organizations are flexible in their crisis response. They constantly monitor their environment to determine the degree to which their crisis response is addressing the needs of their multiple audiences. If a post-crisis strategy does not produce a favorable reaction, the restaurant must be prepared to adapt its approach.

Large organizations typically have the resources to conduct their own investigations into events such as food poisoning outbreaks.

While this may be an advantage for organizations with extensive resources, smaller organizations can work directly with state or federal agencies that often assist in investigating crises. In fact, the data generated by such objective forces may even be perceived as more credible by consumers.

#### **Press is monitored**

Monitoring reactions from the media is particularly crucial for organizations. The press tends to emphasize the most dramatic aspects of crises. Hearit contends that reporters often make attributions of guilt and innocence in their crisis coverage which "is the antithesis of an objective story."<sup>6</sup> Successful organizations follow media coverage closely in order to defend themselves against any false information that is reported. Furthermore, organizations can purchase advertising, fliers, and direct mailing to emphasize facts that are not included in the media's coverage of a crisis.

Without remaining informed of media coverage and reacting to it, organizations risk being victimized by the press. In this case, smaller organizations may actually have an advantage. Large corporations typically have a national or international audience. Smaller organizations can focus their communication in one or a few communities. Thus, communication can be targeted more directly and efficiently by corporations with a smaller pool of customers.

Despite the rushed and confused nature of crises, successful

organizations should provide consistent messages to the public. To meet this demand, internal organizational communication tends to be centralized to a crisis management team that is capable of making informed decisions quickly and consistently. When possible, organizations should communicate to their multiple audiences with a single, unified voice. Typically, this role is best served by the organization's CEO.

However, consistency should not begin with the crisis. Organizations should make an ongoing effort to develop positive relationships with their potential critics prior to crisis events. For example, organizations that have developed ongoing relationships with special interest groups can use these relationships to monitor reactions and to solicit advice during crises.

#### **Media require honesty**

Organizations can often avoid contentious relationships with the media and other observers if they communicate in an open, timely, informed, and consistent manner. Organizations that fail to do so are often forced to endure more criticism and longer recovery periods. At worst, organizations that are ineffective in their post-crisis communication may never regain their social legitimacy. Again, the limited audience of smaller organizations makes establishing relationships with relevant media and political contacts less complex than is the case for large corporations. For example, a restaurant owner can work with her or his

newspaper editor, television and radio news directors, and political representatives on a face-to-face basis. This familiarity pays dividends during crisis situations.

Such guidelines cannot eliminate the inevitable threat of crisis for hospitality organizations. Yet, having a crisis management plan as well as an understanding of how to adapt one's post-crisis communication can enhance a restaurant's chances of recovering from a crisis quickly.

#### **Guidelines ensure success**

The crisis response of Schwan's Sales Enterprises to its salmonella outbreak serves as a clear example of how organizations who adopt these guidelines can emerge from a crisis successfully. Schwan's maintained an open and accurate communication style from the outset of its Salmonella outbreak crisis. In fact, the organization instituted a warning to customers and a recall of products before being advised to do so by state health agencies in Minnesota.

By the time Schwan's was legally obligated to begin a recall, the process was well underway.

Initially, the cause of the Schwan's crisis was clouded with uncertainty. Schwan's continually adapted its response strategy as more information became available. For example, when an external trucking agency was identified as the source of the outbreak, Schwan's immediately announced that it would develop its own trucking fleet and build a new pasteurization plant enabling them to

treat all relevant products before sale. This radical change in Schwan's food processing procedures represents the company's ability to adapt its crisis response based on information as it became available.

Schwan's also worked closely with the media throughout the crisis. In addition to consistent press releases, Schwan's communicated regularly with the media through a single spokesperson. This spokesperson had worked directly with the political leaders in the state of Minnesota as well as key media contacts before the crisis occurred. These contacts, along with the open communication style of the organization, enabled Schwan's to maintain a civil relationship with the media throughout the crisis.

Finally, Schwan's maintained a clear and consistent message throughout the crisis. The company's primary theme at every stage of the crisis was that the customer was the most important consideration. As such, Schwan's began a recall with full reimbursement for customers at the earliest stage of the crisis, set a up a toll-free hotline regarding the crisis, and offered payment for medical fees incurred due to the crisis. This customer focus worked well for Schwan's. Within a year of the crisis, sales had returned to near the level where they had been prior to the salmonella outbreak.

It is evident that the hospitality industry has the potential to face many types of challenges due to crises, ranging from fire to food-

borne illnesses and other related issues. Owners and managers of hotel and restaurant establishments should prepare themselves well in advance to deal with crises in an effective and efficient manner. The absence of a strategy and an organized approach to handle a typical crisis such as foodborne illness can lead a hotel or a restaurant operation to its demise.

### **Preparation is essential**

Hotel and restaurant chains have been able to develop crisis planning to overcome these potential marketing and operational problems. Burger King and Hyatt hotel chains are good examples of organizations that were able to face these challenges and retain their market share. These hospitality chains have financial resources, expertise, and pre-marketed names to survive from crises. The real concern and challenge which remains is among mostly small and independent hospitality businesses which lack the resources, such as financial expertise to draw a strategy, and time to invest in crisis management. Small and independent operators are mostly busy with their daily business activities and spend little or no time thinking about how to manage a crisis.

The National Restaurant Association (NRA) and the American Hotel Motel Association (AHMA) should continue to stress crisis management issues to their members and hospitality operators. These two professional associations are in a position with

their resources and expertise to assist not only the large chain companies, but independent and small operators as well. The NRA and AHMA can provide and offer crisis management workshops during annual regional and national hotel and food shows, develop videotapes, and publish related materials for their members and small operators.

As the study indicates, extensive resources are not needed to fulfill the guidelines for effective crisis communication. Smaller organizations can identify a spokesperson, maintain flexibility in their crisis communication, and establish helpful relationships. In fact, some of these communication strategies can be enacted more effectively in smaller organizations than in larger corporations. In short, small organizations cannot offer major recalls or generous compensation packages to the victims of crises; however, they can, as Michael Fineman advises, communicate in an honest, efficient, and composed manner.

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