FOOD Manufacturing

The Need For A Crisis Management Plan Has Never Been Greater

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Since the passage of the Pure Food and Drug Act in 1906, the United States food industry has been highly regulated. Even prior to that, states mandated food oversight with laws concerning weight and inspection standards. Some 30 years later, the industry became even more regulated with the Federal Food, Drug and Cosmetic Act. Then, on January 4, 2011, President Obama signed into law the new FDA Food Safety Modernization Act, which is the broadest reform of the FDA's authority in more than 70 years. The focus of the Act is on preventing, rather than responding to, food contamination, and it also provides the FDA with new enforcement responsibilities and power, such as mandatory recall authority.

Despite those regulations, the Centers for Disease Control and Prevention (CDC) estimates that each year, one in six Americans (or 48 million people) gets sick, 128,000 are hospitalized and 3,000 die of foodborne diseases. According to the CDC's annual year in review for 2011, there were 16 significant outbreaks of foodborne illnesses in the U.S., with five of them involving fresh produce. The foods most likely to be contaminated include raw foods of animal origin and foods that mingle the products of many individual animals, such as ground beef, and raw fruits and vegetables.

As it has become easier to ship and transport those foods across the U.S., it has also become easier for foodborne illnesses to spread across state lines. Although many outbreaks start locally or occur as unrecognized individual cases, they often become part of a larger, widespread outbreak. And those outbreaks are not cheap. A study published in January in the Journal of Food Protection indicates that foodborne illnesses pose a $77.7 billion economic burden in the U.S. annually. This number, while high, does not even represent the total economic burden because the study does not include costs to the food industry in the form of reduced consumer confidence, recall losses and litigation. For example, the 2006 outbreak of E. coli traced to contaminated spinach ultimately cost the spinach industry more than $350 million, and the sales of packaged spinach remain 20-percent less than they were pre-2006, reflecting a sharp decrease in consumer confidence.

Given these costs, it is critical for businesses to proactively manage risk by, for example, obtaining insurance. In addition, businesses must understand how to respond at the first suspicion of contamination, and know what steps to take should a contamination source be confirmed. In other words, businesses need to engage in effective crisis management.

Effective crisis management begins long before a crisis requires attention. It starts with planning, practice and monitoring, three key elements to minimizing the financial and reputational damage to a business. Planning and, specifically, a written crisis plan, reflects a business's commitment to reducing risk and safeguarding its future. A crisis plan can be used to comply with regulations, to reassure customers and to train employees. It can provide continuity even when there is employee turnover, and it gives the business and its employees the confidence and skills needed to address threats.

A crisis management plan clearly identifies response structure. This includes establishing monitoring procedures, identifying trigger points, assigning staff roles and responsibilities, training social and media spokespersons and establishing protocols and policies for internal and external communications with your legal team. A plan should also identify proactive risk management steps, including communication templates to key audiences, and call for annual or even semiannual simulations that are documented in the plan.

A crisis plan is only as good as the business's ability to execute it. The plan illustrates knowledge but practice is needed to demonstrate the ability to apply that knowledge. Companies should use mock crises exercises as an opportunity to learn and improve. These exercises should simulate as closely as possible a real crisis with high-stakes decision making having to be made under pressure with imperfect or incomplete information and constrained by short timelines. This is the time to pressure test the plan and challenge the business's ability to execute it.

Monitoring the environment in which a business operates can help anticipate potential problems, giving a business advance warning and the time to act quickly or prevent escalation, even in today's challenging 24/7 news media cycle. Depending on a business's size and resources, monitoring can be as simple as setting up Google alerts for key words, including but not limited to your business name, brands, products and industry terms. Or, it can call for the use of a third-party service that monitors and reports on social media, advocacy sites, conventional media and more. Regardless of the depth or scope, monitoring should give the business an accurate picture of what is being said about it, its products, its people and its business environment.

When a business invests in planning, practicing and monitoring, it will be able to manage a crisis in the most effective and efficient manner possible. In the case of a food recall, that means the business will know what to do if it suspects one of its products could be contaminated, how to remove the product from commerce should that be confirmed and how to engage in meaningful crisis communications to protect both the public and itself.

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