

Effective Communication in a Potential  
Crisis that Affects the New Zealand  
Dairy Industry



Jessica England, 1316700

Elissa Terry, 1313780

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## Introduction

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“When read by a Chinese native in Mandarin, the word ‘crisis’ is perceived as a moment of opportunity. For most others in the world, the same word evokes a sense of anxiety, the unpredictable, of loss of life or business interruption... Doomsday.” (DuBrin, 2013). Crisis management shows how well a company can communicate not only within itself, but also with the shareholders, and customers involved. This white paper will cover some potential crises a company in the New Zealand dairy industry might encounter, some ways to deal with a crisis, along with the communication involved, and how crisis management may be part of a service to provide.

## Crisis

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A good example of a crisis that has already happened in the dairy industry recently, was the Fonterra contamination incident. Fonterra prematurely came out with a potential botulism scare, causing not only customers, but also importers, such as China, to lose faith in their company and products. After negative testing for botulism, Fonterra made a public apology, and started their import back up with China, and actually achieved, their highest monthly revenue in August, according to Rae (2013).

One of the potential crisis’s talked about for New Zealand’s “farming sectors” is a “spike in food commodity prices” (Rosin, 2013). Although this spike happened back in 2008, which was during the global recession, the price of dairy products can “spike” back up instantaneously. After the drought that occurred this year (2013) in most of the North Island and parts of the South Island, the dairy prices went up, according to Kamber, McDonald, and Price (2013). “The average response to a drought of this size would be for world dairy prices to be around 10 percent higher than otherwise. As it happens, world dairy prices actually rose by around 40 percent between January and April 2013”.

It has affected more than just the dairy industry even, “We find that not all prices are equally affected by droughts. Food prices, for instance, increase as a result of higher milk prices.

However, goods and services that respond mostly to domestic factors (non-tradables), rather than being exposed to international competition, are expected to become cheaper.” (Kamber, McDonald, & Price, 2013).

Although it appears that the increase seems to have already occurred, the drought is a perfect example of how nature can create issues within the dairy industry, in turn affecting many other industries, related and unrelated worldwide. The higher food prices can lead to increased spending in countless industries of all sizes; the confectionary industry may have to cut jobs to make up for the increased prices or a local restaurant must raise entree prices to make a profit. The environment can sometimes be anticipated but never controlled, making it a matter that must be dealt with upon arrival. When natural occurrences, such as a droughts, floods or earthquakes take place companies within the dairy industry need to be prepared to address the situation, sometimes at the sake of the company’s survival, while still keeping their customers’ needs in mind.

## **Importance of Communication**

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Effective communication plays a critical role to any industry’s day to day activity but having a strong communication foundation can be the key to sustaining and maintaining a company’s image when crisis arises. Communication strategies must be in place to support a company throughout a difficult time. Every company is vulnerable to crisis, and today’s business atmosphere is dynamic, leaving the industry susceptible to endless issues within the economy, environment and by forces that cannot be controlled.

## **Fronterra communication**

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A perfect example of a sudden crisis in the dairy industry would be Fonterra Botulism contamination scare that came at a great cost to the company finances and reputation. “As recent events have shown, the business community, as well as communities at large, is vulnerable to

disruptions that can be extremely costly (Lockwood, 2005)". Fronterra showed a lack of communication strategies when the thought of a fatal disease was contaminating their products. The Fronterra Corporation informed the public too soon about this possible outbreak without extensive research and as a result dramatically affected their image in the public's eye. Even with a public apology, the government, consumers and the people of New Zealand are not easy to forget the false alarm.

Many were upset with the information that Fronterra did debrief, "That was a meeting for them to give us an update and their view, but it was never going to be the answer to the questions we want answered (Fairfaz Nz News, 2013)." In addition, Prime Minister Key stated that Fonterra should have issued a statement much further in advance than they did, and "whether we like it or not Fonterra is the poster child for New Zealand...when it goes wrong it goes wrong for everyone (Fairfaz Nz News, 2013)." These are prime examples of how dealing with communication ineffectively during a crisis can have profound effects on a corporation, a community or even the entire country.

## **Issues**

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A serious drought or flood may inhibit the production of milk solids and could drastically affect New Zealand's Gross Domestic Product for it makes up 29% of total exports for the country (James Morrison Consulting Limited, 2013). The industry itself provides around 55,000 jobs nationwide. Another issue is that consumers are more conscious of preserving the environment and the carbon footprint that they put off (Winter, 2009). Mostly environmental concerns about the future of the land and water used for the dairy industries because 21% of the grasslands in New Zealand are occupied by dairy farms (James Morrison Consulting Limited, 2013). According to the Global Risks of 2012 and 2013 for the dairy industry some issues with the most impact and likelihood include, food shortages, failure of climate change adaptation, water supply crisis and extreme volatility in energy and agricultural prices, with these factors in mind it seems extremely necessary to have several strategies to protect the dairy industry (James Morrison Consulting Limited, 2013).

## **Services**

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Our services will employ strategies to avoid and resolve flaws in communication within the company to protect the organisation's image, and inform the shareholders and consumers to the best of our abilities when crisis arises. Our employees understand what is at stake when dealing with a crisis such as a drought within an organization and by evaluating all possible alternatives our team can strategically guide the company's next move.

By employing a multi-channel communication plan as a part of our tactics to quickly disperse information throughout our company efficiently and effectively (The Times 100 Business Case Studies, 2013). Our PR, HR and communication team will be able to reach out to our consumers, stakeholders and investors with a wider and more resourceful perspective. Leadership communication will also be used to help quickly assess and can impact the pre and post crisis outcomes extensively (Ulmer, 2001). These communication tactics will ensure that the corporation as a whole is interconnected and has a shared understanding throughout all divisions.

Team structures that employ a multi-flow communication strategy can maximize communication benefits and are shown to increase shared meaning within an organization (The Times 100 Business Case Studies, 2013). Multichannel Communication strategies are especially useful in times of crisis because it involves a continuous flow of information that circulates throughout the organization by congregations including team briefings, formal meetings and gatherings and an open face-to-face communication strategy. Team briefings and formal meetings allow for employees on all levels to exchange ideas for the company's well-being. The progress by utilizing a "Face-to-Face" communication plan is that communication should be "free and frank", meaning that everyone has a right to share their honest opinion (The Times 100 Business Case Studies, 2013).

## **Strategies/Plan**

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“A commitment to planning today will help support employees, customers, the community, the local economy and even the country. It also protects your business investment and gives your company a better chance for survival (Lockwood, 2005).”

Our services deal with resolving naturally occurring incidents in the environment for dairy industries, these may include droughts, earthquakes, and flooding to name a few. In the chance that these weather incidents occur, although unpredictable, preparation if they do occur is essential for the dairy industry. By using strategies in communication such as multi-flow techniques, our services can help the farms reach the organizations in turn dispersing the information throughout their company to the government, public, stakeholders, investors, consumers and so on. Our Leadership communication will establish positive relationships with our stakeholders pre crisis which will provide advantages with cooperation and will have a substantial impact on post crisis communication (Ulmer, 2001). Using technology will be an essential part of our plan for the farms to get the communication ball rolling to inform the corporation in the event of an weather related issue.

When a drought arises you need to; have a plan in place, take action early, review the plan, set up for next season and lastly remember to ask for help if you need it (Dairy NZ, 2013). Our services will enact these plans through our multi-channel communication strategies and leadership communication in addition to keeping open and friendly communication with other farms and the government for assistance if needed in extreme cases. Having an agreed upon plan during a drought that is communicated well to the staff will relieve stress and measures can be taken earlier. This plan will provide the framework of when decisions should be made and enacted (Dairy NZ, 2013). Communication opportunities arise in a company for a flexible plan in place might call for adjustments. Changes need to be communicated to the staff of the organization, the investors, shareholders and the government to instill reassurance that the business will remain steady through the dry times. Farm owners, managers and staff should make connections with other local farms and neighbors in case they need help during or after a severe weather incident.

## Opportunities

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Communication opportunities are plentiful in the field of Crisis Communication during extreme weather incidents. Crisis Communication could potentially positively affect a company if they handle the issue with tactical measures. Communication teams that are proactive in designing plans will reduce time needed to react to the crisis, spending and further instill trust in an organization. An example of this could be that in the event of a natural inconsistency in the weather, such as a year with very little rainfall, a flexible plan of action is necessary. Our Communication specialists must be able to communicate an influx in product prices if a natural disturbance occurs that is beyond the corporations control. Communicating options within the organization and promoting to the public why this was the best decision with the corporation, the consumers, and stakeholders in mind is an essential strategy in keeping the image of the corporation positive.

## Evaluation

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When communication opportunities arise, it will become evident how well an organisation can handle the situation. By utilizing an effective communication strategy for a sudden crisis, whatever that crisis may be, an organisation can preserve its image. Taking action early, even in unpredictable circumstances, helps a company stay strong, opposed to taking action as events occur, which can damage the company.

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