

Nutritional Foods and Nightmares*

Your charge: As a team, prepare a PowerPoint presentation responsive to the questions and concerns (below) to be addressed by Nutritional Foods' Crisis Action Committee, an ad hoc group of three trusted managers formed to provide advice and counsel to Nutritional's CEO in crisis situations.

Nutritional Foods Inc., a \$70 million manufacturer of healthful foods is rapidly becoming the best-known brand of natural or non-pasteurized foods in the Western United States. It makes its products in two facilities, one in California's Central Valley and the other in a coastal city of Central California. Fresh fruit and vegetable products are shipped from growing regions throughout the West to these two facilities for processing and canning or bottling. The handling of non-pasteurized products is critical as contamination can occur in picking, transporting, or processing the fresh product. Distribution is also critical to the freshness and safety of the company's products. Nutritional's products are distributed daily from the company's processing facilities in company-owned refrigerated trucks to ensure freshness.



Unpasteurized products have been popular in the health-food market for many years. Nutritional Foods is the most successful of several companies seeking to appeal to the mainstream market as well as to niche consumers in the health-food market. The company's success is responsible for its rapid growth and the construction of its new processing facility in the Central Valley.

Nutritional's "nightmare" began with reports from two county health departments, one in Seattle and the other in Southern California. In each case, a health department official reported a possible link between acute food poisoning of a child and an unpasteurized apple product produced by Nutritional Foods and distributed throughout the Western United States. The health departments had not yet ruled out all other possible causes. Additional information was not yet available, and the batch numbers for the products in question were not yet known.

Company managers were quickly dispatched to the two counties where initial reports indicated there might be acute food poisonings related to one of the company's unpasteurized products. Shortly thereafter the company received a third and fourth report similar to the first two. Company managers were sent to these locales as well. All were instructed to get the batch numbers of the products in question as quickly as possible.

Although there was nothing conclusive to report at this time, Nutritional's CEO Edmund Francis St. John was notified immediately after the third and fourth reports had been received. John Healy, Nutritional's Vice President for Production, spoke with him briefly, telling him only what was known, which wasn't much. Healy kept his concerns and questions to himself: Should we warn the retailers, asking them to stop selling the

product? Should we also warn the public? Because such a move could devastate the company's reputation and its stock price, we have to think long and hard before we take that step. We're obligated to do that... How certain do we need to be and how serious does the problem have to be before we take action?

The status reports from the managers dispatched in response to the four reports of potential food poisoning were unsettling. Health officials in the four counties they visited were virtually certain Nutritional Foods' product was indeed involved in the food poisonings. Not all the batch numbers were available. However, in two cases managers were able to get batch numbers, and they were from a single day's production. Additional reports of possible food poisoning came in later in the day. Two of them came from newspaper reporters who were checking claims by consumers that one of Nutritional Foods' products had made them sick. One of the reports involved a different company's products.



At 7:00 p.m., Nutritional Foods announced publicly and through its retail network that it was pulling all batches of the unpasteurized product associated with all but one of the alleged poisoning incidents. After the news hit the wire services, the company received a good number of telephone calls. By the start of business the next day the count stood at fifty. Most were from consumers alleging that the company's products had poisoned them. Five more were reports from health professionals who stated they were treating possible poisonings.

At 8:30 a.m. CEO St. John's office notified his Crisis Action Committee, an ad hoc group of three trusted managers that had been formed a few months earlier to provide advice and counsel in crisis situations, that the Committee would be meeting at 11:00 a.m. In addition to the background information (above) the notice indicated that St. John is seeking advice and counsel on the following:

- Is Nutritional Foods doing enough—not only legally, but ethically— by conducting a recall for the specific product in question, publicly asking consumers to return all unused products to their local retailer, and asking retailers to stop selling and return all of their supply to us? (The press has done a pretty good job getting the word out. It's on the front page of perhaps 80 percent of the daily newspapers in our distribution area this morning.)
- Should we do more to notify customers? Should we consider pulling all our products? The calls this morning allege adverse reactions from many different products.
- What should our strategy be toward those who have been made sick by our product? If we show concern, will it look as though we are admitting liability?
- What should we do about the sickest of those affected? Reports this morning indicate that two children are in critical condition.

*This is a revised version of a fictional case by Kirk O. Hanson available at the website of the Markkula Center for Ethics at Santa Clara University:

<http://www.scu.edu/ethics/dialogue/candc/cases/nutritional.html>