

VPM's
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Fourth Trimester Examination January 2020

Subject	Strategic Management		
Roll No.		Marks	60 Marks
Total No. of Questions	7	Duration	3 Hours
Total No. of printed pages	3	Date	02.01.2020

Note: Q1 is compulsory and solve any FOUR from the remaining SIX questions.

Q1) CASE

Tylenol is the most successful over-the-counter product in the United States with over one hundred million users. Tylenol was responsible for 19 percent of Johnson & Johnson's corporate profits during the first 3 quarters of 1982 before the crisis. Tylenol accounted for 13 percent of Johnson & Johnson's year-to-year sales growth and 33 percent of the company's year-to-year profit growth. Tylenol was the absolute leader in the painkiller field accounting for a 37 percent market share, outselling the next four leading painkillers combined, including Anacin, Bayer, Bufferin, and Excedrin. Had Tylenol been a corporate entity unto itself, profits would have placed it in the top half of the Fortune 500.

During the fall of 1982, for reasons not known, a malevolent person or persons, presumably unknown, replaced Tylenol Extra-Strength capsules with cyanide-laced capsules, resealed the packages, and deposited them on the shelves of at least a half-dozen or so pharmacies, and food stores in the Chicago area. The poison capsules were purchased, and seven unsuspecting people died a horrible death. Johnson & Johnson, parent company of McNeil Consumer Products Company which makes Tylenol, suddenly, and with no warning, had to explain to the world why its trusted product was suddenly killing people.

Once the connection was made between the Tylenol capsules and the reported deaths, public announcements were made warning people about the consumption of the product. Johnson & Johnson was faced with the dilemma of the best way to deal with the problem without destroying the reputation of the company and its most profitable product.

Following one of our guidelines of protecting people first and property second, McNeil Consumer Products, a subsidiary of Johnson & Johnson, conducted an immediate product recall from the entire country which amounted to about 31 million bottles and a loss of more than \$100 million dollars. (Lazare, Chicago Sun-Times 2002) Additionally, they halted all advertisement for the product.

By withdrawing all Tylenol, even though there was little chance of discovering more cyanide laced tablets; Johnson & Johnson showed that they were not willing to take a risk with the public's safety, even if it cost the company millions of dollars. The end result was the public viewing Tylenol as the unfortunate victim of a malicious crime. Before the crisis Johnson & Johnson had not actively sought press coverage, but as a company in crisis they recognized the benefits of open communications in clearly disseminating warnings to the public as well as the company's stand.

Johnson & Johnson also used the media, both PR and paid advertising to communicate their strategy during the crisis. Johnson & Johnson used the media to issue a national alert to tell the public not to use the Tylenol product. In the first week

of the crisis Johnson & Johnson established a 1-800 hot line for consumers to call. The company used the 1-800 number to respond to inquiries from customers concerning safety of Tylenol. They also establish a toll-free line for news organizations to call and receive pre-taped daily messages with updated statements about the crisis.

Several major press conferences were held at corporate headquarters. Within hours an internal video staff set up a live television feed via satellite to the New York metro area.

The reason Tylenol reacted so quickly and in such a positive manner to the crisis stems from the company's mission statement. On the company's [credo](#) written by Robert Wood Johnson, he stated that the company's responsibilities were to the consumers and medical professionals using its products, employees, the communities where its people work and live, and its stockholders. Therefore, it was essential to maintain the safety of its public to maintain the company alive. Johnson & Johnson's responsibility to its public first proved to be its most efficient public relations tool. It was the key to the brand's survival.

Tylenol products were re-introduced containing a triple-seal tamper resistant packaging. It became the first company to comply with the Food and Drug Administration mandate of tamper-resistant packaging. Furthermore, they promoted caplets, which are more resistant to tampering. Johnson & Johnson communicated their new triple safety seal packaging- a glued box, a plastic sear over the neck of the bottle, and a foil seal over the mouth of the bottle, with a press conference at the manufacturer's headquarters. Tylenol became the first product in the industry to use the new tamper resistant packaging just 6 months after the crisis occurred. In order to motivate consumers to buy the product, they offered a \$2.50 off coupon on the purchase of their product. They were available in the newspapers as well as by calling a toll-free number. To recover loss stock from the crisis, Johnson & Johnson made a new pricing program that gave consumers up to 25% off the purchase of the product. Over 2250 sales people made presentations for the medical community to restore confidence on the product.

Johnson & Johnson's handling of the Tylenol crisis was the example for success when confronted with a threat to an organization's existence. The Tylenol crisis is without a doubt the most exemplary case ever known in the history of crisis communications. Any business executive, who has ever stumbled into a public relations ambush, ought to appreciate the way Johnson & Johnson responded to the Tylenol poisonings. They have effectively demonstrated how major business has to handle a disaster.

Johnson & Johnson employed Forgiveness and Sympathy strategy for this crisis. Forgiveness strategy seeks to win forgiveness from the various publics and create acceptance for the crisis. Johnson & Johnson used Remediation and Rectification, both Forgiveness strategies, in the Tylenol crisis. Remediation offers some form of compensation to help victims of the crisis. Johnson & Johnson provided the victim's families counselling and financial assistance even though they were not responsible for the product tampering. Negative feelings by the public against Johnson & Johnson were lessened as the media showed them take positive actions to help the victim's families. Johnson & Johnson's development of Triple sealed packaging is an example of rectification. They also developed new random inspection procedures before the shipment of Tylenol to retailers. Sympathy strategy was a big component

of Johnson & Johnson's crisis communication strategy. Sympathy strategy wins support from the public by portraying the organization as the unfair victim of an attack from an outside entity. Johnson & Johnson's willingness to accept losses by pulling the Tylenol product developed sympathy with the public

Today Johnson & Johnson has completely recovered its market share lost during the crisis. The organization was able to re-establish the Tylenol brand name as one of the most trusted over-the-counter consumer products in America. Johnson & Johnson's handling of the Tylenol crisis is clearly the example other companies should follow if they find themselves on the brink of losing everything.

Questions:

1. What happened?
2. What did Johnson & Johnson do?
3. How did Johnson & Johnson re-introduce the product to the market?
4. What was Tylenol's basis for its crisis management program?
5. What was the learning from the case? Present your answer to this question by listing points only.

Attempt Any FOUR from the Remaining SIX Questions

Q2) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) What are core competencies?
- b) Describe in detail the strategic management process in non-profit organisations.
- c) What is CSR? Explain

Q3) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Business strategies are partly proactive and partly reactive" – Explain
- b) What is vertical integration?
- c) Why is strategic planning necessary? Discuss the steps involved in strategic planning process.

Q4) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) How does strategy formulation highlight corporate philosophy & corporate governance?
- b) Define Disinvestment and explain its relevance
- c) Give a detailed account on new strategies adopted by Indian organisations in the internet economy.

Q5) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Enumerate principles of Strategic Leadership and define the role of a Strategic Leader explaining the leadership dimensions.
- b) Define turnaround strategy and explain the situation of its usage with example
- c) Explain how in value chain analysis, which is an internal analysis useful in identification of distinctive competencies in a business origination in formulating various business strategies?

Q6) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) What are the advantages and disadvantages of outsourcing?
- b) Explain how you will identify corporate capability factors of different functional areas with examples.
- c) What are the stages in industry evolution?

Q7) Any two from (a) or (b) or (c) ————— (5x2) = 10 Marks

- a) Explain six steps of Strategic Management process

b) Dr. G, the management consultant said that all strategies are evaluated only on the basis of the following two parameters viz.

i. Sustainable competitive advantage

ii. Risk v/s return

As a strategic planner, please explain above evaluation to the managers of your company?

c) Explain rational of company to take over another company