MEDFIELD PHARMACEUTICALS

MEDFIELD PHARMACEUTICALS

TheCaseSolutions.com

ROLE OF STAKEHOLDER TRUST

- Stakeholders without power have to trust an organization to fulfill obligations. Organizations have binding ethical obligations, but there is no guarantee to stakeholders that these obligations will be met (Greenwood & Buren III, 2010).
- When stakeholders lose trust in an organization, its products or services, the organization's reputation will take a hit until trust can be regained (Bonime-Blanc, 2014).
- Reputational damage may or may not lead to long-term negative consequences (Bonime-Blanc, 2014).

Case Study: BP

- April 20, 2010
- 49 million barrels of spilled oil (Kurtz, 2013).
- 11 deaths (Kurtz, 2013).
- Resulted in criminal charges with a sentence of oversight by the federal government for four years, a $4.525 billion settlement, and a temporary ban for new US contracts (The Ocean Portal Team, 2010).

Case Study: BP Reputation

- When talking about BP, the Deepwater Horizion oil spill is one of the first things to come to mind (Levick, 2014).
- Prior to the spill, BP branded itself as an ethical organization, boasting corporate social responsibility (CSR) credentials that were not necessarily attainable (Balmer, Powell, & Greyser, 2011).
- BP lost stakeholder trust when it was uncovered that BP essentially deceived stakeholders into believing that the company was acting ethically with environmental concerns at the forefront of its operations (Balmer, Powell, & Greyser, 2011).
- 2 years after the spill, BP's profits were down 35 percent (Allen, 2012).
- BP is so concerned with shareholder value it does not pay enough attention to reputation, causing a failure to rebuild public trust since the spill (Allen, 2012). A failure to rebuild public trust could result in more lawsuits and loss of money for the company, making its long-term sustainability questionable. (Balmer, Powell, & Greyser, 2011).

Case study: BP
Rebuilding reputation

1. Focus solely on reputation rather than shareholder value (Allen, 2012).
2. Create an identity that reflects what the organization is currently doing (Balmer, Powell, & Greyser, 2011).
3. Develop a CSR strategy which addresses stakeholder concerns (Balmer, Powell, & Greyser, 2011).
4. Rebuild stakeholder trust by following through on CSR obligations(Greenwood & Buren III, 2010).
5. Communicate CSR with global stakeholders using positive messages backed by facts (CSU-Global, 2014).

Case Study: GM Motors

- In 2014, the CEO of General Motors was called to talk to Congress about the faulty ignition switch crisis that was escalating
- The faulty ignition switch, a known problem since 2001, caused at least 31 crashes and 13 deaths (Levin, 2014).
- It was determined that it would cost approximately $2 per vehicle to repair the faulty switch (Levin, 2014).

Case Study: GM Motors Reputation

- General Motors has been accused of being more concerned with profit then the safety of their customers, bullying critics, bullying corporation that is cost-conscious at the expense of the lives of their customers (Levin, 2014).
- Ignition switches were not consistently replaced either before or after bankruptcy (Levin, 2014).

Case Study: GM Motors Rebuilding Reputation

1. Get a new CEO- Done as of January 15, 2014 (Levin, 2014).
2. Repair faulty switch issue- In progress as of April 28, 2014 (Levin, 2014).
   - Compensate owners of faulty vehicles and/or their next of kin
   - Immediately recall all impacted vehicles and notify dealerships of faulty piece
   - Begin fixing faulty switch on all vehicles
   - Ensure that faulty switch does not occur on newer model vehicles
3. Develop a new CSR strategy, validated by stakeholder input (Chandler & Werther, 2014).
4. Demonstrate that high value is placed on customer safety
5. Communicate changes to all stakeholders using positive messages backed by faces (CSU-Global, 2014).