



Surviving nightmare scenarios

By Michael Sherlock
co-author of *Jumpshift!*

The world experienced an extraordinary number of natural disasters this time last year. Much has been speculated and written about how we are going to recover long-term from these and/or try to prevent them happening again.

Much the same pattern of speculation followed the global financial crisis. On the 'What's In It For Me' scale, we all need to be mindful and well-prepared for disasters that will impact our bakeries, however great or small, as part of our business risk-management strategy.

In the bakery business, hygiene and cleanliness are paramount. While CEO of a major bakery franchise, I developed well-documented procedures and standards for franchisees to follow. This approach was part of our franchising mantra – work hard and follow the system, and you can't go wrong.

In 2003, however, we faced a perfect storm of bad publicity that could have spelled disaster for the whole chain. One of our multiple franchise owners had a falling out with a staff member who was responsible for cleaning many of his stores. It appears that one of the local television channels supplied the staff member with a high-definition video camera and he shot hours of footage in some of the stores in the early hours of the morning. The edited-down 30-second video grab showed a dead rat under a bench, a live rat running behind a cool room, cockroaches in the back of a bakery, together with what appeared to be rodent droppings.

The TV station ran the story and interviewed the cleaner, who said he had to work in poor conditions with little support and had left in disgust. At the time, there was a local government election underway, so the local member appeared on TV and said that the council was going to make an example of the bakery and sent out health inspectors. Interestingly, the health inspectors found no evidence of rats or cockroaches, but minor discrepancies, for example no soap in soap dispensers and cobwebs. As a result, they immediately closed down five stores, and although the stores were only closed for one day, the TV station continued to show the rats and cockroaches footage for the next four nights.

On the first night, I appeared on all TV news and current affairs programs to respond to the allegations and sent the clear message that we had a good history, and took food hygiene very seriously. I refrained from mentioning the rat. The coverage went on for a week, and then went away. Then, six weeks later as the local council election grew closer, the issue



was revisited on the front page of the Saturday edition of the *The Courier-Mail* in Queensland. Our main competitor started running ads – "it's not us, it's them" – whereas we didn't make any further statements because we didn't want to give the issue oxygen. Ironically, the competitor's business was apparently affected more than ours was, presumably because they'd drawn attention to themselves.

As an operator in the bakery/food industry, this was my worst nightmare come true. After the board members and senior management had watched the video in detail, we came to the conclusion that the whole event was stage-managed. We reached this view because the cockroaches were all running in the same direction, as though someone had just released them, and the dead rat was in such a visible position in the store on a clean floor, such that it appeared to have been placed there deliberately. The footage of a live rat was clearly taken beside the cool room of the fruit shop next door. The rodent droppings turned out to be coffee granules. We passed our thoughts and evidence on to the police, but there was no further action taken.

Although this was a low point, we used this as a rallying summit with bakers retail team members and franchisees. We supported the multiple franchise owner in getting his stores open again, but the five stores that had been closed were affected by the exposé. We then used this incident as a mandate for change. For example, compulsory annual independent third-party audits were conducted by Peter Landrigan's company Food Hygiene Australia.

The bakers and franchisees rallied to this approach, and we remained determined to achieve the goals contained in the five-year plan, so fortunately we managed to turn a huge negative into a positive.

At the time of the rat episode, the share price had dropped to 46 cents. In addition to cleaning up the hygiene issues, we pressed on with implementing our strategic business plan and four years later the company was purchased by an ASX listed company at \$3.60 per share. The step-by-step details of how this was achieved are set out in my recently released book *Jumpshift!*.

My key suggestion is to have annual independent audits and develop a disaster recovery plan as part of your overall bakery risk-management plan, to ensure you reduce the risks of business closure or total loss of Intellectual Property (IP). Ensure that you also link your disaster recovery plan to a PR strategy that will develop a strong message for the market.

Always look for the positives out of disasters or near disasters so that you capture the upside. There's a lot of evidence to suggest that every cloud does have a silver lining and if you have the right plan you can turn defeat into victory and obstacles into stepping stones.

Michael Sherlock, former CEO of Brumby's Bakeries and co-author of the recently published *Jumpshift!*, has suggestions for bakers on delivering exceptional customer service in these tough economic times. ■