



American Rubber Products Company

Teaching Note

In the case of American Rubber Products Company, Jeff Bernel, the company's Chairman, President and Chief Executive Officer, is faced with an executive nightmare: a deadly explosion has ripped through the building housing his corporate headquarters and flagship production facility. The power and gas are disconnected, the lights are off, the heat is gone, and the telephones are inoperable.

The boiler that generates steam to manufacture the rubber products his company sells to tier-one automobile manufacturers has exploded, killing two employees and critically injuring four others. The events of Thursday, March 4, 1993, present Jeff Bernel with a series of management problems, all of which are related in some way to communication.

Critical Issues

The issues Bernel and his company face include, among many others, these problems:

Immediate Issues

- Injured employees must be tended to by fire rescue personnel at the scene of the accident, stabilized, and transported as quickly as possible. The deceased must be tended to by the LaPorte County Medical Examiner and transported to the morgue.
- The scene of the accident, when Bernel arrives, is essentially uncontrolled. Local law enforcement authorities must gain control of the scene, restricting access to rescue workers, NIPSCO gas technicians, American Electric Power technicians, fire and police officers.

The teaching note for this case was prepared from personal interviews and public sources by James S. O'Rourke, Concurrent Associate Professor of Management, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

Copyright ©1999. Eugene D. Fanning Center for Business Communication. All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means -- electronic, mechanical, photocopying, recording, or otherwise -- without permission.

- American Rubber Products Company must provide official spokesmen to respond to immediate interview, photo, and video requests from Chicago and South Bend news media representatives.

Near-Term Issues

- Bernel must find a temporary location from which he can operate: to conduct executive and crisis response team meetings, to receive incoming telephone, fax, and e-mail messages, and lead the company.
- The company must provide aid, comfort, and financial assurance to the injured and their families, and to the families of the deceased. Personal visits from a senior executive seem appropriate as soon as possible.
- The company must seek legal advice very soon. They must also notify the Indiana Occupational Health and Safety Administration (IOSHA) and United States Occupational Health and Safety Administration (OSHA) of the accident. They must contact their principal liability and business insurance carriers.
- The company must also notify:
 - ▶ **York Shipley Company** of St. Louis, Missouri, the manufacturer of the boiler and related equipment;
 - ▶ **Power Plant Services** of Fort Wayne, Indiana, the firm that maintained and modified the boiler; and
 - ▶ **Hartford Steam Boiler Insurance Company**, the firm that performed semi-annual safety inspections under a license from the State of Indiana.
- Bernel must find competent contractors who can remove the debris in Press Room C and repair the damage done to the building. Additionally, he must find a power crane operator who will agree to remove the boiler from the Conrail tracks some 50 meters from the ARPC plant.

Longer-Term Issues

- Bernel must successfully delegate to his senior team the reconstruction of his business. Those tasks will fall, broadly, into three categories:
 - ▶ **Business Issues:** regenerating steam so that American Rubber Products Company can resume manufacturing capacity; facilitate the investigation into the accident to determine exactly what happened and why.

- ▶ **Human Issues:** convince frightened employees that the LaPorte manufacturing facility is safe to re-enter; comfort those who have been injured; console those who have lost a loved one in the accident.
- ▶ **Reputation Issues:** convince a wide range of people, including *employees*, *local civic officials*, and *news media representatives* that the accident was not the result of neglect or ineptitude on the part of ARPC management, and that the company is doing all within its power to resolve the issue and prevent such an accident from recurring. Additionally, the company must convince its *customers* that manufacturing will resume within ten days (as required by contract), *creditors* that the company is in stable financial condition, *suppliers* that existing credit and shipping arrangements are still in place, and *neighbors* that the plant is not a threat to their health and well-being.

Case Discussion

The first 20 Minutes

As you begin the class, you might consider showing Video Clip #1 (1:29), a news report from WSBT Television, Channel 22, South Bend, Indiana. Reporter Eileen Faxis describes the scene of the accident just minutes after it occurs.

Following the video clip, you may wish to ask a student to summarize the key events of the case, identify the principal characters, and briefly describe American Rubber Products Company.

Move then to a listing of the critical issues: what *are* the critical issues facing Mr. Bernel and his company? Could you have students rank order them? Which issues seem most pressing at the moment he arrives? Which could wait until tomorrow for action? Which could wait 48 or 72 hours for attention?

Here are some questions you may wish to pose to the class:

- What are Jeff Bernel's most pressing problems? Which one should he deal with first?
- How can he possibly do all of this alone? To whom should he consider delegating some of these responsibilities? Which responsibilities *must* he retain for himself?

- What role should American Rubber Products Company's attorney play in this case? Should he become principal spokesman for the firm, or should he appoint someone else for that task?
- Should the company hold a press conference for the news media on scene the evening of the accident? Should they grant individual interviews to each reporter who requests one? Should they hold a press conference the next day? If so, where should that conference be held: on site, or off?

The next 20 Minutes

Distribute the (B) case. Ask students to read the additional information it contains and then respond to a further refinement of his problems, options, and assets.

Having established what your students think Bernel's problems are and what his most urgent course of action should be, consider showing Video Clip #2 (1:54). This report, from Ray Roth of WSBT-TV, Channel 22 (CBS affiliate) in South Bend, takes place the next morning and shows the damage in daylight.

Following the second video clip, here are some questions you may wish to pose:

- Should Bernel invite the news media to inspect the plant and photograph or videotape the scene of the accident?
- Should the company deflect blame by implicating The York Shipley Company, Power Plant Services, or Hartford Steam Boiler Insurance Company in the accident?
- Should the company agree to pay the funeral expenses of the deceased? How about the hospital expenses and long-term medical costs of those who've been injured?
- Should Bernel invite his principal customers to come to LaPorte to inspect the damage, or should he simply assure them that manufacturing capacity will resume in ten days' time?
- What, if anything, can Bernel and American Rubber Products do about reporters interviewing employees at the scene who seem to know very little (but who have strong opinions) about the accident?

The final 20 Minutes

Move now to Video Clip #3 (2:01), a report from WSBT-TV anchor Amanda Hart a day later. This clip includes an interview with American Rubber Products CEO Jeff Bernel. Ask students some or all of these questions:

- How well do you think Bernel did under the circumstances? Could you have done better? What would you have done differently?
- What *long-term* damage do you envision to the following:
 - ▶ Sales?
 - ▶ Employee relations (ARPC is a non-union shop)?
 - ▶ Suppliers?
 - ▶ Creditors?
 - ▶ The community of LaPorte, Indiana?
 - ▶ Shareholders (ARPC is a privately-held company)?

Suggested Assignments

Many different writing assignments are possible in response to this case, but you may wish to consider one or more of the following activities:

- Assume the role of a crisis management consultant called in to assist Bernel and his company. Write a 3-4 page memo briefly summarizing critical issues, stakeholder interests, and suggested actions for ARPC's senior team.
- Assume the role of a media relations consultant for the company. Draft a 1-2 page press release summarizing the events in the (A) case and offering the company's official viewpoint on the accident. Consider the use of direct quotes from Bernel or other company officials to support and illustrate key points you intend to make in the release.
- Assume the role of a community relations consultant for the company. Draft a proposal for Bernel and his senior team outlining the challenge they face in restoring community confidence in American Rubber Products. Summarize key stakeholder interests and suggest *at least* three actions which Bernel and his

company might take to restore the confidence and goodwill of LaPorte, Indiana.

- Assume the role of an employee relations consultant for the company. Draft a proposal for Bernel and his senior team summarizing the problems they face as a result of the events described in the (A) case. Propose *at least* three actions which he and his executives might take to restore employee confidence in the company, the working environment, and the leadership of American Rubber Products.

Epilogue

American Rubber Products Company suffered no long-term business effects from the accident of Thursday, March 4, 1993. In the near-term, the company suffered in the way an extended family might if two members had been killed and four others critically injured. Two of those injured died within ten days of the accident. The grief amongst this small, tightly-knit, non-union workforce was palpable for weeks.

ARPC employees placed a high degree of trust in Jeff Bernel and his executive team, and the trust paid off, both in the near-term and the long-term. Though shaken by the events of March 4th, every employee who was able to return to work did so on Monday, March 8th to begin the process of cleaning up the plant and restoring manufacturing capability. In the six years since the accident, turnover at the LaPorte Plant has averaged 3.5 to 4.0 percent per year – well below industry standards for semi-skilled manufacturing.

Jeff Bernel later said that the small-town community of LaPorte proved to be a wonderful asset to him and his company. He was able to call on plumbing, electrical, and mechanical contractors to repair the damage to his plant almost immediately. His bankers never gave any indication of discomfort or mistrust in Bernel's company. The spirit of cooperation in the community was significant: LaPorte felt as though the accident has happened to *them*, and not simply to the company.

Bernel agreed to pay for funeral, hospitalization, and long-term medical expenses without negotiation. "Send us the bill," he said. That move and the immediate expression of remorse on television and in the local newspapers did a great deal to bolster the belief that ARPC management was both caring and committed to the recovery of the families as well as the company.

Hartford Steam Boiler Insurance, Power Plant Services, and The York Shipley Company all ended up in court as litigants in multiple claims of negligence and culpability for injury and wrongful death. American Rubber Products was not sued. By March 1999, the cases were largely resolved. Suits against the boiler's manufacturer and inspector were dismissed. Wrongful death and bodily injury suits against Power Plant Services did not go to trial. Out-of-court settlements resulted in an award of approximately \$1 million for all litigants.

Settlements, however, required that Bernel and other key participants in the process not disclose specific terms or conditions of the agreement. Frustrated that he was never able to publicly vindicate himself or his company, Jeff Bernel sold American Rubber Products to Mark Dilley in May of 1998. He is no longer President and CEO, but remains as Chairman of the company.

Sample Letter to Local Newspaper

March 5, 1993

Editor
LaPorte Press
789 Main Street
La Porte, Indiana 46350

Dear La Porte community:

Our community suffered a terrible tragedy this week. On March 4, as the result of an accident at the American Rubber Products Company's plant here in La Porte, two valued members of our community passed away and five others were injured.

American Rubber Products Company has had a local tradition of excellence in the community since 1933. Thousands of men and women from northwest Indiana have served American Rubber over the last sixty years, and have become a part of an extended family.

Families count on each other to help them through difficult times and to be there for each other. At American Products, our philosophy is no different. Our number one goal in the coming weeks and months is to maintain our sense of family, and our sense of commitment, to our employees and this community. We are presently working around the clock to not only obtain the answers to all of your questions, but to ensure that our commitment to safety and quality is not abandoned.

Thank you for your continued support of American Rubber Products Company as we collectively try to ensure such a tragedy will not happen again.

Respectfully,

Jeff Bernel
Chairman, President and Chief Executive Officer

Sample Letter to Relatives of the Deceased

March 5, 1993

Mr. and Mrs. John P. Smith
508 Coronation Gardens
South Bend, IN 46637

Dear Mr. and Mrs. Smith:

Words cannot begin to express the pain I feel over the loss of your daughter, Jennifer. She was a loyal employee whom I respected and admired greatly. Over the period of time she was employed at American Rubber Products Company, Inc., she was looked upon as a leader in the plant. More than that, she was a true inspiration to be around.

We are currently performing a swift, thorough investigation into the cause of the accident. Although the cause is still unknown at this time, we have experts from the various organizations responsible for the manufacture, maintenance, and inspection of the boiler investigating the scene. Let me assure you that we will do everything in our power to determine the exact cause of the accident and ensure this type of tragedy does not occur again.

I realize that in this time of need, we cannot do anything to bring your daughter back. However, we want to do what we can to ease your pain. We will begin the process of contributing to and soliciting donations for trust funds for both of Jennifer's children. In addition, we have asked several psychiatrists to offer counseling to the employees. I would encourage you to also seek the assistance of these counselors, if necessary.

I will contact you again when we learn more about the accident. Until then, please contact me personally if there is anything I can do to ease your pain. Your daughter, her children, you, and the rest of the families devastated by this tragedy will be in my thoughts and prayers.

Sincerely,

Jeff Bernel

###

AMERICAN RUBBER PRODUCTS COMPANY

Date: March 5, 1993
Action: Jeff Bernel
Chairman and Chief Executive Officer
From: Mark Dilley
Executive Vice President and Chief Operating Officer
Subject: **Marine Boiler Inspections, Training, and Customer Relations**

I have evaluated the recent tragedy at the La Porte plant, and have come up with a few ideas relating to our next steps and course of action. Facing this crisis, it is important that we clearly identify the course of action we would like to take in order to prevent future accidents, assure our employees that our La Porte facility is safe, and keep the business operational.

BACKGROUND

Please keep these items in mind as you consider my analysis and recommendations:

- The marine boiler in the plant is 15 years old, and a new, more efficient, burner had been installed 5 years ago. The normal life cycle of a marine boiler is 30 years.
- Power Plant Services of Fort Wayne (PPS) and Hartford Steam Boiler Insurance Company have performed thorough, semiannual examinations since we installed the boiler and no deficiencies have been noted in these examinations.
- The employees who died in the accident were in Press Room C, adjacent to the boiler room. The two women killed were 32 and 18 years old; the latter had been hired only this week as a temporary employee.

DISCUSSION

The failure of the boiler and the resulting explosion could have occurred from one of two sources: machine error, or human error.

Due to the inherent risk in operating the marine boiler, we have maintained careful safety standards and have continually been in compliance with state regulations. The new burner we added five years ago has improved efficiencies, and contributed to the overall safety of the boiler. PPS has been involved in the installation, routine maintenance, and the semiannual inspections. While I don't have cause to doubt the validity of their tests, right now I'm skeptical of everything, and we should revisit these reports with an independent firm to rule out the possibility that there were problems with the boiler that PPS covered up in the inspections.

MARINE BOILER INSPECTIONS, TRAINING, AND CUSTOMER RELATIONS

March 5, 1993

Page 2 of 3

The second alternative, human error, is equally as troubling. There were six employees in Press Room C when the accident happened, including the two women who died. One of the two was hired only this week, as a temporary employee. Our training policy has always been to give on-the-job training by skilled senior operators. Unfortunately, as Doug Dieterly told you, we do need to think about legal consequences in this situation. Legally, the company, the shareholders, and even the officers, could stand to lose a significant amount if we were found to have acted with gross negligence. We must identify whether the employees working the press last evening had the appropriate skills and training to do so.

This particular employee had only a few days experience with at the company, and if circumstances had her running the press at any point, a mistake could have been made, enough to convince a judge or jury that we had been negligent in our training practices.

As important as getting answers to our investigation into the accident is the larger matter of how we will be able to fill our customer orders and keep the business afloat, and allay the fears our employees have presently. Our track record of service and quality has been noticed by our customers, and now is the time to meet with them and ask their support to work with us to maintain the business. The other plant locations in Michigan, Kentucky, and New York will need to pick up some of the production in the interim while we get things on track in Indiana.

RECOMMENDATIONS

I suggest we follow the following course of action:

1. Obtain and begin an independent review of the latest inspection data from PPS and Hartford Steam Boiler Insurance Company.
2. Interview the employees working, particularly in Press Room C, last evening, to determine if there were any unusual events which took place, and get as good an accounting of each person's tasks for the evening. Investigate and evaluate the appropriateness of the training levels of those employees working last evening, particularly our newest part time hire who died in the explosion.
3. Sit down with our customers, particularly the Big Three, and ask for their commitment to help us ride out this crisis and stay with us in the future, reminding them of our track record for quality. Additionally, we should move as much production to the Michigan, Kentucky and New York facilities as possible so as not to put extra pressure on our employees in this time of recovery.
4. Gather our employees together and reinforce the community spirit of the company and that we will emerge from this tragedy as a corporate family.

Will Garbarini, the Plant Operations Supervisor, will contact a few local engineering firms as well as PPS and the insurance company immediately to start the process on the first item. I will assign Ida Allen, who was on duty as press room supervisor last evening to talk with the press workers and contribute to

MARINE BOILER INSPECTIONS, TRAINING, AND CUSTOMER RELATIONS

March 5, 1993

Page 2 of 3

ascertaining what had gone on in the hours preceding the explosion. I'll also ask her to talk to the senior operators regarding the training levels of each press worker that night. I have already requested that Human Resources forward to me the files of the employees who were working near or in the press or boiler room.

I think it will be important for you to discuss these events with our customers. They have known you for years and identify you as the face of the company, and I think it will go a long way for you to have these conversations with them. Finally, I will lead the session with our employees, explaining what we know, and our commitment to them and the business.

OTHER ISSUES

I have composed the attached open letter to the community to be run in this week's *La Porte Press*. We certainly want to do our best to keep up a positive public image. Please review the letter and forward me any changes.

The time critical issues here are to get the facts complete and ascertain why the explosion occurred, but we should not lose sight of revisiting the training policy, no matter what the findings are of the action steps above, to make sure that it is sufficient to prevent such a problem in the future.

###