



«INTEGRITY IN PUBLIC ADMINISTRATION, BUSINESS AND ECONOMY OF KYRGYZSTAN»

Case studies

SWEET LIE OR HOW TO UNFREEZE COLD HEART ICE-CREAM LOVERS

Business case

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Business case

1. A brief background of company X-ice

The history of one of the most popular ice creams in Kyrgyzstan started in 2002. The geography of business activity was launched to Central Asia and the company gained a leading position in the ice cream market. Without any exaggeration it can be noted that X-ice holds the Kyrgyzstan ice cream market at about 80%. In the ranking of dairy companies in Kyrgyzstan X-ice was in the Top 3 among tax-payers. The total number of employed staff was more than 150. The company produces daily about 10 tons of ice cream.

2. Dark clouds over the X-ice

It started in May 2013, when prosecutors detained a dozen expatriates working illegally in X-ice. As a result, the company was fined. Besides this, the company conducted personnel policy unfairly, and mainly ice cream was produced in very unsanitary conditions. Everywhere was a mess: garbage, mud, a few beds where workers slept.

After some time internet-users discussed the unethical behavior of another subsidiary of X-ice in one of the most popular forum sites in the country. Forum participants shared their bad experiences related to ice-creams and unfavorable information. Discussions were about changing the taste of the product, which was so bad that one child after eating ice cream became ill with his temperature raised, etc. All of them remained a blemish on the reputation of X-ice. However the "glory" of X-ice not only did not fade, on the contrary, it gained full speed.

3. Unhappy neighborhood

The industrial plant of X-ice is located in the village not far from the capital. In fact it is the dormitory suburb, where practically there are no industrial complexes, and residents returning home want to relax after a busy week. Industrial emissions into the atmosphere make it impossible to get a healthy harvest in neighboring backyards. Also, for the pursuit of super-profits, X-ice produces at an inappropriate time, making noise and not allowing the neighbors to rest easy. Between plants and gardens there are no buffer zones, which is a factor in the health threats and of man-made disaster.

Ice cream is the most lovely dessert of both children and adults. Actually in the ice-cream market sometimes there is a serious struggle for consumer attention and love. As when the streets begin to warm up, ice cream becomes the most popular and favorite food. But is all so rosy in the favorite dessert market? This is a case in the pursuit of fame and money; we must not forget that whatever lies sweet, sooner or later, it will melt ...



Near the plant there is a school. Inconsistency of sanitary and environmental standards are the visible part of the iceberg, while causing problems in the relations with neighbors. Unethical behavior of X-ice is further compounded by the unwillingness of the company to meet the neighbors and to solve not only the environmental, but also the moral problem. Indifferent behavior of X-ice company towards neighbors and the environment again showed its bad faith.

Unfortunately, X-ice keeps on successfully "surprising" the audience with new 'know-how'.

4. *Is it possible to extend the life of expired ice cream?*

In 2015 a scandal occurred with X-ice. It became known that the company reprinted production dates on already expired ice-cream. This is the know-how: Earlier, journalists filmed the process where X-ice workers wiped off the shelf life of expired products. Later, they could get into one of the X-ice shops where the package was removed from the expired product and packaged in a new one. A day later the X-ice made an official statement, they believed that the information on the expired product supply was a provocation and sabotage by their competitors. They denied absolutely the fact of repackaging and explained that expired ice cream was prepared for recycling on a pig farm. The company also said that the production partially was stopped and they had a commercial loss. Two weeks later the Department of Sanitary Inspection shared that in 8 out of 24 samples of ice cream, colon bacillus was found. Thus, to the list of "achievements" of X-ice was added the sale of expired ice cream and the fact that the product had a real harm to health.

Following these events, the consumer perception of X-ice products became instantly negative. In the short term X-ice lost all that it gained over the years - the love and loyalty of customers, positive brand recognition and a steady income. And how is the company going to behave...Will the public will demand to recover thousands of claims for loss of health, for the spoiled holidays and ruined harvest, and most importantly, for the deception and sweet lies?

Questions about the case

- Name the stakeholders whose interests have been affected in this situation? What are the risks for each of the stakeholders?
- What are the most important issues and challenges for business ethics?
- What should be done immediately in order to solve the problems related to doing business with integrity?
- What should the government do in this situation?
- What are the possibilities of the practical application of good business? And what is the possible outcome in each option?
- What does the company need to do to get out of this situation, and not only save its reputation, but also to return the buyer's love and loyalty?



Epilogue

The company's management should immediately run a campaign to resolve the crisis. The company lost the information war, but in order to regain its reputation, management must withdraw all products from ice cream sales outlets until the end of the investigation and to temporarily stop production, which will undoubtedly be a large loss of money. This will be a good decision in a crisis situation. It really could be sabotage and discrediting of competitors. But trying to get away from liability for the incident and denying its mistakes, the company has already damaged its reputation. On the contrary, the problem will become enormous.

The biggest mistake of the company is a complete denial of their mistakes and going into the "shadows". In other words, the company was completely blocked. The company's website was hacked and was not functioning for a few weeks. Social media is silent, as well. This is the worst tactic that could have faced the company. In this situation, the company's management would like to speak publicly of apology, announce the temporary closure of their shops to sanitize and to clarify the true causes of the incident. To date there have been no public statements from top management. There was only one press conference by the young assistant of the director. The company could also activate the social media, such as Facebook, where they can answer customer questions. After all, loyal customers are not indifferent about the situation around X-ice. And in the business environment there is a rule about the need to constantly nurture the love and loyalty of customers. Honesty and openness of the company in a difficult situation are two virtues that the public will always appreciate.

Regarding environmental and neighbor issues of X-ice, it may be noted that environmental sensitiveness should play an important role in any decision of a manufacturing company. The careless attitude towards the environment, will undoubtedly lead to the total collapse of the company in the long-term.

In this situation, the government should also intervene in the matter. Of course, we must protect the major investors and employers, but this concern in any case should not infringe on the rights of people who are forced to coexist with the production and endure the inconvenience. After all, the right to a quiet life and recreation has not been canceled.

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