

Multinational Companies Responsibilities Regarding Consumers Safety

MULTINATIONAL COMPANIES RESPONSIBILITIES REGARDING CONSUMERS SAFETY

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Abstract

The present study refers to those multinational companies that develop their activities on the global market, and that must abide by the legal regulations and standards that refer to the product and service quality and safety with the purpose to be placed at the top of the preferences of the consumers from everywhere. The analysis of a multinational company belonging to the consumer goods industry, that multinational company that produces foodstuffs as well as non-foodstuffs, represents the case study by means it is intended to point to the complexity of the internal systems to assure and certify the own product quality and safety. The main instrument to collect data has been the interview; it is this way that relevant information for this study has been collected; further on, these information sets have been completed with information sets that have been taken over from different available internal documents. This was the way in which there has been noticed the means by which the multinational company has managed to introduce elements that are related to safety and quality even from the designing and production phases with the help of creativity and innovation since the latter two elements occupy an extremely important place if the company wishes to reach performance; there is more to it as these two elements are continuously granted attention in case of contracting third parties, and then, till the moment in which the products reach the clients and the consumers. With such a purpose in mind, communication is vital, be it about ingredients or about solving crisis since it is the company's responsibility to strive to keep the good name that has been obtained by means of the own brands no matter where on the earth. The knowledge gathered from the analyzed company could help generate a complex mechanism for adapting to consumer requirements regarding their protection. This new mechanism would be useful for the management team on one side and on the other side, for the governmental and intergovernmental institutions with specific tasks for elaborating specific legislation.

Keywords: multinational companies, innovation, quality, safety, consumers, brands

JEL Classification: M16

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Introduction

The globalization process that has been strongly felt during the past years, has determined companies to act similarly into different markets, offering the same portfolio of products and services to totally different consumers. Often, the differences between the markets do not just refer to consumer requirements and preferences, but also to different legal systems and regulations. So, in order to be able to pursue their business interests, the multinational companies have to set strict coordination between head office and the other locations.

The present study refers to the quality and safety policies inside multinational companies belonging to consumer goods, as a certification for their products and services they offer. Their purpose is to grant safety to the consumers and to also grant them the freedom to take the right decision. The information has been collected by means of direct interviews, and based on documents that have been made available within the respective organization.

The mission the company has is rendered difficult due to the extensive activity this one develops across numerous geographical areas, under the incidence of numerous legislative systems. Extremely different consumers could often be approached with identical products, due to identified common needs; however, there are also products that have been purposefully developed and adapted to certain specific markets. An alternative between the two extreme situations refers to adapting a global product to the local requests, namely by modifying or adjusting the formula (in case of non-foodstuffs) or of the recipe (in case of foodstuffs), the goal being to become able to meet specific needs.

In order to keep their sustainable mission on the market, the under study multinational company should be very careful when building the quality expectations of their consumers into their products. The company wishes to maintain their consumers' confidence and loyalty, whether it is about nutrition, hygiene or cosmetic brands that they would choose to eat healthy, to feel comfortable or to increase their confidence in their own image, in general to obtain what they look for. In fact, the branded products and services represent the company's name and reputation; in other words, they represent some of the most valuable assets a company could hold.

1. Product quality and safety – priority target of the product policy

"It is worth standing back for a moment and considering what effect your actions might have on others ..." (Hack, 1997, p. 37)

The principles of quality and safety management that must be at the basis of the multinational companies' policies in view of assuring the quality and safety of their own products are: to set the request and the particularity of achieving quality and safety; to communicate with the client and with the consumers; to assure tracking, adaptability and innovation. Each of them, taken aside, refers to certain aspects that must be observed if the intention is to assure internal and external performance:

Setting the request and the particularity of achieving quality and safety – this is based on the following actions:

• analysis of the legal obligations; identification of the provisions that refer to the manufactured product, to the used resources; particularities of the respective process, and, as concerns the branch, the chain it is part of;



- study of the company's competitive request; estimation of the part that might be incumbent on the safety values in relationship with the market;
 - diagnosis of the past and present performances;
- setting the organization's policy with reference to adapting the processes and to the necessary investment. This principle shall be applied by the managerial team together with the unit's specialists, and it can be assisted by consultants and designers who have abilities in the matter of product quality and safety.

Based on these actions there shall be conceived the company's policy and strategy that shall serve to the development of the product quality management and safety system for a well determined location, with reference to the process and objectives of the analyzed company, with reference to quality, innocuousness and the foodstuff safety.

The communication with the clients and the consumers in connection with the information and release aspects regarding the composition, intended use, method to prepare, storage conditions, etc. of the products.

All these information sets shall be conceived and submitted so that the client (distributor and consumer) be able to easily understand them.

Tracking has become compulsory since it enhances the communication opportunities, the clarifying possibilities related to the product quality and safety.

Adapting and innovation refer to:

- systematic tracking of a possible "ageing" of the applied solutions as a consequence of the evolution of the culture and civilization of the environment in which the organization, the process and the product can be placed;
- analysis of the continuous phenomenon to come up with alternative, innovatory solutions while collaborating with each resource supplier in order to get solutions which would make it possible for the beneficiaries and for the processors to impose themselves on the competition market. To this purpose, there are two options: (a) the producer who wishes to become or remain competitive shall use human resources, material and financial resources for innovation, and, thus, shall look for performance products; (b) the managers who delay or disregard the efforts for innovation shall become risk factors due to their failure to be interested in the future of the process;
- research of the way in which the clients' market evolves, of the way in which or if the client redefines his requests,; what has been learned from the past experiences, and the extent in which the consumption models he considers as a performance have been copied. The client is frequently well informed since he is the one who is interested in his own health performance, and he shall end up the collaboration with the supplier who has obsolete products in favor of more advantageous offers;
- the processors shall create new business ideas, and the achievement of safe products represents the best approach the contemporary processor shall adopt. In the EU area, all the processors must systematically self-model themselves to be able to increase the level of their clients' satisfaction, and first of all, the innocuousness requests.



The enforcement of the above mentioned principles to the managerial policies and strategies, and their inclusion in the quality and safety management system shall lead to obtaining significant performances.

2. Research methodology of a multinational company's practices

The present study has in view to analyze the methods that the multinational company uses in order to assure the product quality and safety, beginning with the design stage, passing to production, labeling and ending with the clients and end consumers.

The analyzed company is a multinational organization from the fast moving consumer goods field, and its portfolio comprises food products as well as non-foods.

The complexity of the portfolio is the main reason for which this specific company has been chosen for the case study, as it represents a clear example of assuming responsibility regarding consumer safety. Another reason that stands for the relevance of the analysis is the activity of the company that comprises all the stages of the product development, from idea to production. This enables a clear tracking of the ways in which the safety procedures and the quality of the ingredients are encompassed in the final goods. Moreover, the manner in which the company is performing its activity inside all the continents, inside numerous countries, places it under a series of rules and legislations that have to be considered and obeyed, which strongly influences the internal policies. And least but not last, this company was specifically chosen as an example due to its long history on the global market and its prestigious brands, clear proofs of credibility and trust from millions of people from everywhere in the world.

Considering all the above reasons for choosing this company for the case study, the objective of the research is to point out the way in which the multinational organization takes over its responsibility regarding consumer goods quality and safety, considered as main objectives for product policies. Further on, there are being taken into account principles of management regarding quality and safety that lay at the bottom of internal rules and policies, the manner in which the company manages to ensure sustainable high performances, the importance of creativity and innovation for the design of the quality and safety elements, the monitoring and evaluation of quality and safety standards and above all, the position of the company regarding its consumers and the way it targets their needs.

Consequently, the subject of the present study has been selected due to the complexity of the multinational companies' structure and to the wide range of risks that such a multinational company should take into consideration while developing their activities across totally different areas. The markets and the consumers' needs can be extraordinarily diverse depending on the country; this is the reason for which it is interesting to analyze the way in which such a complex organization manages to perform and keep its position at the top of the preferences.

The necessary information for the exploratory analysis have been mainly collected through 14 interviews that have been taken either directly or over the phone with employees from different departments such as research and development, marketing, logistics or even with employees from the legal and commercial departments. This qualitative method of data collection has been chosen mainly due to the possibility to interact with the interviewee. Therefore, it has been easier to obtain significant quantity of data regarding the research



objectives and it was easier to observe closely the company's ability to ensure high quality and safety for its products and processes. The thus obtained quality information have been subsequently analyzed from the point of view of the main topics, and, to get extreme accuracy, there have been studied secondary type information sets that have been obtained from different documents and internal studies that have been made available for this research. These data were extremely useful to observe the settlement of the internal policies and rules regarding quality and safety.

The questions that are included in the interview (Appendix A) have been built with the purpose to allow the respondents conceive and provide answers without being influenced and without bringing into discussion cases from their personal experience; another purpose relates to approaching, in a logical way, each subject matter that is of interest for the present study. The questions are, to a great extent, of the open type, giving respondents' the freedom to answer each of the questions without being influenced in any way whatsoever.

The need for the discussion flexibility has been noticed since each respondent has had his own way to approach the subject. This has created the possibility to obtain more information sets and to go deeper with the research activity. However, there have been indicated only the general discussion directions, and the detailed ones have been avoided not to influence the answers, and also, with the purpose to obtain information that is as conclusive and objective as possible.

Concerning the limitations, there was difficult to meet certain people due to their crowded schedule, especially for the interviews that required more time, while for the documents there were limitations in terms of accessing them due to confidentiality and availability.

Based on confidentiality reasons, the name of the company and the participant to the study shall not be disclosed.

The results of the interviews and the internal documents will be presented further on in the research, in order to express in a coherent way the main ideas resulted from the study and their contribution.

3. Designing the product high quality and safety in accordance with the consumer's safety

In its constant efforts to understand and satisfy the different needs of consumers and customers, the company strive to develop and deliver superior products to ensure they would be the preferred, thus the chosen ones. By applying consistently high standards, they are able to design high quality products and services, cut waste, reduce costs and drive profitability. Therefore, the multinational company should have its own set of guiding principles wherever in the world to deliver integrity, trustworthiness and high standards of their brands. The answers from the interviews regarding the importance of product safety and processes were extremely straight forward in the case of all respondents. There were pointing out the seriousness of establishing the internal regulations, as well as applying the standards of quality and safety and maintaining them at the highest levels.

The quality standards are constantly verified through regular audits and self assessments in order to ensure the design, manufacture and supply products and services that are safe, of excellent quality and conformity to the relevant industry and regulatory standards in every



country they operate. Risks are too high to ruin the business integrity, so they have to protect consumers and markets, and protect themselves. For example, SR EN ISO 22000:2005 defines the notion of "the foodstuff safety" as being "a concept according to which the foodstuff shall not put the consumer to prejudice if it is prepared and / or consumed in accordance with its designated purpose". There is a tight connection between the foodstuff safety and its innocuousness. To the general meaning, the foodstuff innocuousness represents their quality or their nature not to be harmful or noxious, that is to say, not to present risks to the consumer's health. To be noxious means to be dangerous. The safety of foodstuffs is connected to the appearance of hazards for the foodstuff safety and it does not include any other aspects of the human body health that are related, for example, to malnutrition. Mainly the respondents from the R&D and technical departments have referred to the special attention paid to ingredients used in the formulas and recipes of the products.

To the core of the designing process, companies place consumers and customers, by translating their needs and requirements into products and services, thus creating consumer value through the innovation process. This is reflected in the development process, manufacturing and customer processes, as well as third parties relationships. They should promote transparency and share best practices when choosing and working with suppliers and contract manufacturers (Rubin, 2008; Winn & Jondet, 2008). This idea come out clearly from the responses of the interviewees from all the departments.

Building and maintaining excellent systems to ensure the quality and safety of their products and services, the respondents from technical and legal departments have confirmed the fact that the multinational companies are proactively and continuously developing specific systems and processes throughout the value chain, thus setting benchmarks for the business. Moreover, there are required training and resources that will enable the finalization of the objectives and the fulfillment of the established targets in accordance with the initially set principles. These shall then be regularly measured to improve the overall performance of the company, by using both internal and external measures.

4. Abiding by the quality and safety requests as concerns production and development

The multinational company analyzed is committed to providing branded products and services which are safe for their intended use, and for this purpose the marketing team is closely collaborating with the technical and legal departments. All subsequent organizations must implement the requirements of the established safety and quality policies that apply to all product categories and regions throughout the company, including products manufactured by or in conjunction with third parties. This policy should provide a global framework for assessing and approving the quality and consumer safety management system as concerns the suppliers. This model was mentioned especially by the respondents from technical department and supply chain. A robust quality and consumer safety management system should be translated by the ability of a supplier to deliver products that observe the agreed standards and specifications and must be considered as an essential factor of the process to select and approve a supplier, as well as a factor to analyze the assurances this one would submit, according to the interviewees. Out of the answers it resulted the fact that the approval for all clients should include: safety of ingredients,



additives, chemicals, packing, of component parts and of the finished products that have been purchased by the organizations.

In order to achieve their main purpose, namely to design safety into all products and processes, there is *required the identification and evaluation of the risks related to the consumers' safety*; for example risks arising from innovation and from the attempt to eliminate or manage them, so that any such risks become acceptable. This includes reviewing the status related to the safety of the products that have been obtained from new acquisitions, which are carefully monitored and controlled by the technical department and R&D.

There often exists an *independent safety approval process for products, and a technological project of the supply chain* covering chemical, biological and physical hazards of products, ingredients, formulations, processes, packaging and promotional items. The approval process starts from the principle according to which all consumer groups are likely to use their own products, including any special requirements for sensitive target groups such as children or allergic people. For instance, formulas of non-foodstuff products and recipes in the case of foodstuffs should be developed and achieved to provide protection to consumers against allergic reactions that may be caused by certain products. Allergens are substances that can produce an adverse and specific immune response to certain susceptible individuals. Allergens are also common constituents of consumer products with valuable functional or nutritional attributes. Special safety policies should be provided because allergic reactions may be life threatening.

The principle of consumer protection with respect to allergens refers either to avoiding their inclusion (by formulation or by direct contact) at levels that may harm the allergic consumer, or to informing the consumers and users about the presence of specific allergens (by labeling or providing information on request). The development function must consider the need for a specific allergen to be present in a product, the avoidance of the unnecessary inclusion of this one, and must ensure that allergen information is transferred to both manufacturing and research and development operations.

Supply management must ensure that accurate information about allergens contained or likely to be contained in raw materials and ingredients, is obtained from all suppliers, and it also must ensure that this information is periodically updated and made available to the development function. Organizations must ensure that the final product label contains accurate and clear information with reference to allergens, which enables allergic consumers to make those choices that would grant their safety. Furthermore, they are the ones who must ensure that the ingredient lists indicate the commonly understood names of allergenic substances known to be present as part of the recipe, whether they present an allergenic risk, or whether the declaration of specific allergens is required by local law (Pape, 2009).

The consumers' safety should come as a certainty throughout the whole value chain and must be managed as an element of the quality management system. This includes the provision of adequate training and of the necessary resources, target setting, improvement planning, and performance measurement. The procedures are conceived and issued so as to prevent certain incidents that are likely to occur on the market with reference to the consumer's safety, to ensure the protection of the customers, consumers and of the brands. Each organization defines its roles and responsibilities for the consumer safety management



and annually reviews the performance of this system. Organizations comply with applicable legislation and regulations, and, internally, they abide by all the established consumer safety policies and procedures. Their compliance is ensured through annual verification sessions.

5. Communication of aspects related to safety and quality – coordinate of success on the market

Under the present economy conditions that are characterized by an extremely complex range of product offer, there is high competition between producers and traders as concerns the satisfaction issue to the highest possible level of the consumers' requests, requests that are under a round-the-clock modification, in the absence of which the economic efficiency, and, finally, of the profit, is unlikely to occur. On a competition market of such an amplitude, the consumers' target are not oriented only towards the general or particular characteristics of the existing assortment range of products, but also towards the possibilities they have in connection with the choice of high quality products which, in the end, stands for safe consumption. In other words, the consumers' concern goes, more and more, to issues related to:

- the quality and safety of the products they acquire;
- the responsibilities that are incumbent on those economic operators who shall be held responsible for producing and trading such products that might affect the consumers' health, or even the immediate or long-term economic interests.

Under such conditions, the issues related to the product safety, along the entire chain, from producer to end consumer, acquire a special importance. This way, there must be stipulated that, since certain economic agents do not always apply honest practices, the intervention of the states' bodies becomes compulsory, and this can be done by means of diverse regulations (laws, standards, norms, etc) as concerns the enforcement of specific requirements all through the entire circuit, since this is the method that would help consumers be confident that the products they have acquired shall not affect their health, safety or legal interests.

Therefore, assuring the consumer's safety extends from the supply of ingredients to packing them, and there shall be set clear formulations for each stage of the manufacturing process, subsequent storage, distribution, product use and disposal. Under these circumstances, correct labeling of products becomes a very useful operational tool, both for the economic agents, as for consumers, as a guarantee of the protection of their rights and interests.

The partnership with suppliers, contract manufacturers and customers should ensure as well consumer safety. They must remain alert and responsive to latest safety issues and information related to safety and public concerns and work with industry bodies, government agencies and other relevant organizations, with the purpose to efficiently promote consumer safety standards, increase and share knowledge and disseminate best practice. As concerns customers and consumers, they should be able to provide whatever information and advice is necessary with respect to the consumer safety associated to their own products and services (Armstrong et al., 2009).



By actively promoting their quality policies and by setting-up a quality assurance organization at site there could be assured: consistency and visibility of quality standards, process and performance indicators across all the business functions at all levels, and there would become possible to anticipate and develop future quality capability requirements.

A quality or consumer safety incident that diminishes the consumer's safety is a situation where a company has produced and/or distributed products (promotional items, included) or services/information that may endanger the consumer's health and/or a brand or even the company's reputation. In such a case, the incidents should be carefully managed in order to prevent crises, and this is under the responsibility of PR and communications department. In this case, the organizations must identify and valuate the risks that are likely to appear as concerns the consumer's safety. Such risks might occur, for example, even further to the actions developed by the respective organizations with a purpose to determine the potential incident risk and to implement, in the shortest possible time, management and control systems to detect and prevent such incidents (Vassilikoupoulos, 2009).

The organization shall implement risk reduction measures that are adequate to the consumer's safety, to the brand or to the identified reputation risk. For example, according to the respondents from technical and legal departments, companies must be able to provide a full tracking system of their own products, and to withdraw them from the market, as in the famous case of the Tylenol product from USA. Later on, based on the learnt lessons, the organization must implement corrective actions to prevent recurrence of such situations (Chen et al., 2009; Cuite & Hallman, 2009).

An organization can demonstrate the training background it has to be able to guarantee the safety of the products it has delivered to the market by means of the way in which it is prepared to interfere in case of emergency situations or of potential accidents that are likely to have impact on the safety and that are relevant to the position the organization has on the market.

Such potential crisis situations that were mentioned during the interviews are:

- contamination, from sources that are independent from the organization, of the raw materials that have been processed with a purpose to obtain foodstuffs, with direct implications on the consumer's health;
- contamination, from sources that are independent from the organization, of the water source that the organization uses;
- natural calamities, with impact on the environment, that can affect the safety of the foodstuffs that have been prepared by the organization, and subsequently, that can affect the consumer's health;
- fire, floods, etc., that can affect the safety of the foodstuffs that the organization has prepared and placed on the market;
 - damage to the process system further to certain natural calamities.

For crisis situations, there shall be put together the crisis team made up of the main members of the management team, that shall be held responsible for the involved departments, namely: general manager, foodstuff production department chiefs, administrators, operators, procurement – sale department chief, the person in charge with maintenance, the laboratory chief. The below listed responsibilities are incumbent on the thus constituted crisis team:

• to administrate the organization's management all through the duration of the crisis;



- to adopt the measures that are necessary in order to protect the entire fabrication system with the purpose to protect the consumer's health;
- to inform the customers, as quickly as possible, in detail, should a product be withdrawn or taken away from the market;
- to inform the customers, as fast as possible, in detail, with reference to the created situation and with reference to the potential accidents that might occur and, consequently, affect the consumers' health.

To prevent, during emergency situations, potential hazards or accidents that are likely to have an impact on the safety of those products that have been manufactured by the organization, depending on the causes that have triggered the appearance of the emergency situation or of the crisis, the crisis team can decide on the measures to be taken with reference to the raw material protection, to the protection of the ingredients, of the wrappings and of the finite products, with reference to the protection of the water sources, to the interruption, partially or totally, of the production process, with reference to the identification of the causes that have triggered the emergency situation or the crisis situation, with reference to preserving the evidence that can help point to the causes that have triggered the initiation of the crisis and with reference to acknowledging the customers and the consumers on the brought along inconveniences. The most efficient and the quickest settlement of the crisis situations shall assure that the company can continue maintaining its good name and the loyalty of its consumers as concerns the provided products (Lee et al., 2007).

Conclusions

Based on the carried out study there has been noticed the way in which the product quality and safety stands for a priority target of the product policies within the suited multinational company. The quality and safety management principles that are at the basis of the complex internal regulations and policies that the companies develop and apply assure the high performances that are meant maintain the company's products at the top of the consumers' preferences. The company uses creativity and innovation to incorporate in their products, ever since the designing phase, safety elements with the purpose to improve, on a continuous basis, the quality of their products, and also with the purpose to improve the trade marks from their portfolio. The quality safety standards are periodically verified by means of frequent audits and by means of self-valuations, and the company promotes the transparency of their processes and is willing to make available, to whoever is interested, the data that is necessary to clarify the situations in which their own products or services are involved,

To the core of the designing process, companies place consumers and customers, by translating their needs and requirements into products and services, thus creating consumer value through the innovation process. This is reflected in the development process, manufacturing and customer processes, as well as third parties relationships, by identifying and eliminating the risks that are related to the consumers' safety.

The way in which the complexity of the multinational company's structure, we refer here to that company that develops its activity in different geographical areas and addresses the such diversified needs of the consumers, manages to incorporate the quality and safety norms in its products, and to assure that these products abide by the laws that are enforced

in all the regions stands for an extremely interesting case that is worth all the attention in view of future researches. A particular interest goes to monitoring the way in which innovation and creativity contribute to the improvement of the quality and safety standards and to the increase of the performances of he company's products.

The capability of the multinational company to adapt to the requirements regarding the consumers safety is consisting in a complex process, taking into consideration also the fact that the safety and quality of products start from design phase and should be monitored along the entire life cycle (Figure no. 1).

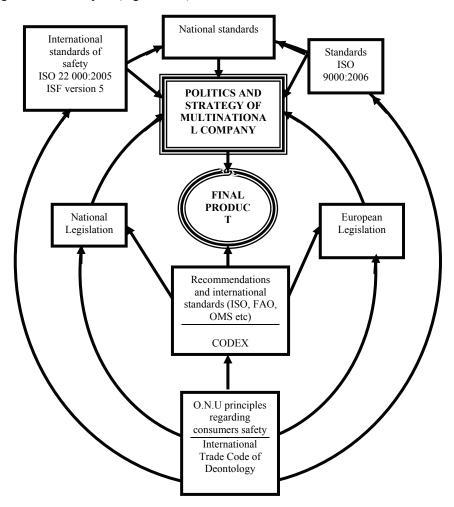


Figure no. 1: The Mechanism of Multinational Company for Adapting to Consumer Safety Requirements

Source: adapted from D. Dima et al, 2001

This mechanism should be flexible enough in order to accommodate the changes, especially the legal ones, at international level. Consequently, the management of the multinational company has to establish its own model of organization and continuous

involvement for elaborating the necessary set of rules and policies, bringing forward benefits for all the parties engaged in the product life cycle, such as: a better market position, through increased ability to respond to market needs; obtaining and ensuring product diversity; ability to have a clear image upon the quality of processes and products; improving capacity to respond to sudden and unexpected changes on the market.

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Appendix A

Interview

- 1. Is the safety of the products and of the processes important for your company? In what way?
- 2. How would you define the safety of the products and of the processes so as to comply with your company's interior norms?
 - 3. In what way is the safety principle included in the operational activities?
- 4. Are there certain valuation measures and systems related to the safety of your company's products?
- 5. Shall there be granted a special attention to the ingredients that are used for the formulas and recipes that are used for the products?
 - 6. Have you certain specific policies or regulations with reference to the allergens?
- 7. What is the degree of importance you grant to creativity and innovation when your company is concerned?
 - 8. In which way is the quality of your products promoted?
 - 9. How important is it assure communication for your company's products?
 - 10. Which are the main methods to use communication?
- 11. What are the most important risks that your company tries to prevent by means of internal regulations and policies?
 - 12. In which way does your company manage to act under risk situations?
 - 13. Which is the approach to select suppliers?
 - 14. Which are the particularities of your company's relationship with third parties?