Beyond Control: Crisis Strategies and Stakeholder Media in the Danone Boycott of 2001

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ABSTRACT
Parallel streams of theory hold that intangible factors such as reputation may account for a major share of a firm's market valuation, and that a dialogic relationship with a firm's environment in general and direct stakeholders in particular is increasingly essential. A consumer boycott of unprecedented scope which confronted Danone SA in 2001 as the firm sought to rationalize its biscuit division suggests that under certain conditions these streams are convergent: a firm's refusal to engage in dialog with adversaries and stakeholders may negatively impact management's reputation, and with it market valuation. The case further suggests that strategies of crisis communication aimed at controlling opinion carry growing risks in terms of conflict and credibility loss with key stakeholders. A further finding is that news media may be of less importance to the outcome of a crisis and to corporate reputation than stakeholder-controlled media. We conclude that crisis communication strategies must give greater attention to establishing and maintaining dialog both with direct stakeholders and adversaries, whose ability to inflict damage may paradoxically be amplified by a firm's attempts to establish control over public opinion.
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INTRODUCTION

A consumer boycott inflicts a multi-layered impact on a public firm. Beyond the direct impact on the target's sales and reputation, there may be secondary impacts on its relations with stakeholders, and hence on its ability to communicate in order to manage these relations. These effects may profoundly and durably alter the position of a firm *vis-à-vis* its stakeholders. They may also lead or contribute to depreciation of the firm's market capitalization. All these dynamics were present in the subject of this paper, a consumer boycott that hits Danone SA, the French multinational food and beverage firm, in the spring of 2001 and its aftermath, channeled by the emergence of new forms and effects of media.

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The contributions of this paper include strong empirical support for two emerging and parallel streams of theory. The first stream proposes that business organizations occupy an increasingly political role in society, and as such, are condemned to dialog with other social and political actors. Palazzo and Q1 Scherer (2006), drawing on Habermas, have described this as a 'fundamental shift to moral legitimacy, from an output and power oriented approach to an input related and discursive concept of legitimacy.' In other words, the information that an organization may diffuse and/or impose may be less decisive for its legitimacy than the information that it absorbs from others.

The second stream observes that, at least in certain sectors of the economy, reputational risks for a firm can lead to 'loss in the value of a firm's business franchise that extends beyond event-related accounting losses and is reflected in a decline in its share performance metrics' (Walter, 2006). This stream also draws on research into the 'intangible' factors – that is, factors besides physical assets – which contribute to market valuation, and which have been calculated as comprising up to five-sixths of the market capitalization of the S&P 500 firms (Lev, 2001).[1] We will argue that these two streams of theory may be convergent under certain conditions. Specifically, by abjuring dialog in a crisis situation, a firm can greatly magnify the risks to the reputation of its leadership, and consequently to its market capitalization.

A further contribution concerns a new role played by media in organizational crises. Key stakeholders now possess media of their own, which are available in printed or electronic form to influential publics. Thus, whether or not the news media declare that a conflict is over and one of the parties has won or lost may have virtually no effect on continuing coverage in stakeholder media. And this stakeholder coverage, contrary to received wisdom, may have far greater and more durable impact on real-world outcomes than the verdict of mainstream media.

After reviewing key background and events in the 2001 boycott of Danone SA, we will present evidence that Danone's apparent victory over protestors was achieved at the cost of damaged relations with financial analysts, and that this damage corresponded to significant changes in the firm's market valuation. (We have separated news and analyst reports from scholarly references; the former appear in footnotes.[2]) In our closing discussion, we will propose alternative communication strategies for firms faced with similar conflicts and hypotheses for further research.

PART I: KEY EVENTS AND BACKGROUND OF THE BOYCOTT

Danone SA: A Model of Corporate Social Reputation

By the end of 2000, Danone SA was a French 'national champion' in more ways than one. Beyond its status as Europe's third-ranking food and beverage firm behind Nestle and Unilever, the firm had embarked on a double strategy of consolidation within Western Europe and global expansion. France still provided 28.5 percent of the firms' 14.3bn euro sales and 33.8 percent of profits,[3] and surveys consistently showed that Danone's brand was the country's most admired and trusted. Remarkably, although the group was engaged in virtually continuous restructuring, rationalization helped build its social reputation; the firm's policies for displaced workers were widely regarded as exemplary. Founder Antoine Riboud's son Franck, who had become chief executive in 1996, extended that tradition by making Danone one of the first French firms to invest in corporate social responsibility initiatives. The firm's reputation was equally high in the financial community. Franck Riboud refocused the group on fresh dairy products, bottled water and biscuits. Analysts at ING Barings expressed a consensus when they applauded 'management's unwillingness to make acquisitions that could destroy shareholder value.'[4] Nonetheless, analysts underlined that Danone had more biscuit capacity than any other firms in Europe. Management's studies of how to reduce that capacity were leaked with massive consequences.

Revelation and Silence

On 10 January, 2001, France's daily paper of record, *Le Monde*, shouted the front-page headline: 'Danone prepares to suppress 3,000 jobs in Europe, including 1,700 in France.' Danone confirmed to *Le Monde* that the firm had 'clearly too much capacity' in biscuits, but refused further comment on the grounds that under French law any information must be given first to union representatives. Nonetheless, the group declared itself a 'victim' of a 'destabilization campaign' and filed a complaint asking prosecutors to determine *Le Monde*'s sources, thus implicitly confirming the journal's scoop.[5] Danone's response clearly aimed at avoiding risks that restructuring would be overturned by judicial challenges from unions. Strikes immediately broke out at the firm's biscuit plants. In one plant, workers allowed unbaked dough to harden like concrete in its receptacles, an unprecedented protest.[6] The financial community, however, largely welcomed the news. While some analysts recognized that Danone's plan would involve social, legal and perhaps political difficulties, more typical were the analysts at ABN-Amro who raised their rating from hold to add: 'In the absence of a substantial acquisition, we have expected Danone to achieve the slowest rate of EPS growth among the European majors [in its sector]. The rumoured restructuring of its Biscuits division … suggests we may well have underestimated the scope for further restructuring savings from the group.'[7]

Over the next two weeks, protest widened to the political sector and the public. A survey showed that 85 percent of the French supported the unions, and the Minister of Employment supported a proposed law to stop firings at profitable companies. Franck Riboud granted an interview to the center-right daily *Le Figaro* in which he assumed direct responsibility for resolving the crisis: 'As president, I affirm to all our employees that the group … won't change, and I personally guarantee it. We pursue a project that is both economic and social, and I am proud to affirm it.' Meanwhile, Danone lost control of access to its Evry biscuit plant, which became 'a major center of anti-globalist opposition.' An attempt by the plant manager to block access to a Trotskyite municipal council member failed when he had himself named a union delegate.[8]

Danone's Attempt to Seize the Moral High Ground is Undercut by Events

On 29 March, Danone presented a plan of social measures for displaced workers that went well beyond those required by French law, and which the firm expected would re-establish its credentials as a company that took care of its people.[9] While the law required that redundant workers be offered one alternate position within their firm, Danone promised to find three opportunities inside the group for every downsized worker, and to help find jobs in other firms for those who did not accept its offers. The group also promised to pay all relocation costs for workers taking these opportunities, which it was not required to do. Indemnities would be paid to workers or their spouses who suffered a loss of salary in moving – again, a measure not required by law. Danone further surpassed the law by offering to finance up to two trips for employees and their families to cities where a job was open and to pay for training for displaced spouses, and by offering to help evaluate and finance self-employment projects for employees who decided to leave the group. The plan also addressed charges that the group was turning its back on certain communities by offering to help finance acquisitions of the plants Danone was closing. Most originally, perhaps, Danone proposed to 'reinforce the economic fabric' of the affected communities by financially supporting the prospection and implantation of new enterprises, infrastructures and local initiatives, as well as giving technical support to SMEs that could hire Danone's former employees. And, Danone would close only two plants in France (and not seven, as *Le Monde* had reported) and others in Hungary and Italy.

But events did not favor Danone's bid to re-establish its positive image. That same day UK-based retailer Marks & Spencer abruptly closed a major store in the heart of Paris. Public outrage at this move ricocheted onto Danone. Opinion polls showed that 70 percent of the French still supported Danone's workers, and 90 percent said that profitable companies should not be allowed to fire workers.[10]

The Boycott is Launched

At the beginning of April, Communist and Socialist mayors of big towns ordered their hospitals, schools and cafeterias to stop buying Danone products. Rapidly, endorsements grew – from a mutualist supermarket chain and postal workers' and bank unions, to four more cities, and then the Green Party, and then France's leading anti-globalist association, Attac, and then about 100 of the deputies in the National Assembly, covering the full spectrum of Leftist parties. *Le Figaro* observed that such a 'political boycott' was 'a first in France.'[11] A copycat boycott began in Hungary. Danone had said it would close the plant that fabricated the iconic national biscuit brand, Gyorki Keks. The mayor of Gyorki immediately announced a boycott and threatened to sue if Danone continued to fabricate biscuits sold as Gyorki Keks in plants elsewhere. On 20 April, the Hungarian government officially announced that it 'expressly insists on [Danone] keeping the Gyorki biscuit factory in operation.'[12] (Within the year, Danone rescinded its plans to close the Gyorki plant.)

Not one article in the French National Press predicted a victory for the movement. On the contrary, print media across the political spectrum insisted on the fact that no major consumer boycott had ever succeeded in France. An anonymous article in *Le Figaro* declared: 'The main players involved agree that it has not been a success. French group Sodexho, which specialises in collective catering, says that only 0.01 percent of its customers have requested that it boycott Danone products, and many retailers tell a similar story.'[13] One such article deserves particular notice, because it appeared in *Libération*, a boycott backing journal, and said that consumers not only refused to be separated from their favorite brands, but would not be capable of distinguishing all the brands in Danone's portfolio.[14] In short, expert commentators consistently underestimated the will and ability of consumers to oppose Danone.

The media consensus on this belief in the boycott's inevitable failure remained intact at times despite evidence to the contrary. For example, *Libération* headlined on 3 May that the boycott was 'running out of breath,' in direct contradiction with a fact buried far down in the story: a union official at a provincial biscuit plant reported that sales of its output were down 13 percent over the past month, far in excess of the usual seasonal decline, and that unsold inventory had doubled over the same period. The official was an opponent of the boycott, which reinforced the credibility of his information.[15] No reporters sought to deepen this line of inquiry, which in fact was an early warning of a dysfunction in Danone's biscuit supply chain caused by the union protest movement.

Danone versus the Internet

The crucial problem of informing boycott supporters about which brands to avoid deeply worried its promoters. Union officials distributed tracts listing Danone's products, and *Libération* published a list for its readers. But these tactics were soon surpassed by an unprecedented event in France – the mobilization of Internet users.

From 1998 to 2000, Internet use in France expanded threefold to 12 percent of homes and 20 percent of individuals over the age of 15.[16] From 1998 to 2000, Internet use in France had expanded threefold to 12 percent of homes and 20 percent of individuals over the age of 15.[17] Internet use was surely far higher among readers of the trendy print and online magazine *Technikart*, known mainly for its coverage of the contemporary 'techno' counterculture, and which regularly covered developments in online culture. On 4 April, editor Olivier Malnuit and his reporters opened a website, jeboycottedanone.com (literally, 'Iboycottdanone.com'), featuring a Danone logo modified to include the slogan 'human beings are not yogurts.'[18] The site proclaimed that 'a boycott is the last remaining form of political action in a society where money has profoundly perverted the democratic system,' and provided a list of all Danone brands. It also, rather prematurely, demanded the rehiring of all the Danone employees who had been fired; in fact, no one had been downsized yet.[19]

Danone counterattacked on 18 April, asking the courts to forbid Malnuit from using the firm's logo or even to cite its name, and demanding some $15,000 in 'symbolic' damages for 'denigration' of the firm and its products. *La Tribune* worriedly observed that the case 'opposes the defenders of a strict right of intellectual property [a brand name] to those who defend the liberty of expression.'[20] Moreover, Danone was effectively publicizing its opponents, and in the process pushing them into a coalition. The Réseau Voltaire, a free speech group, immediately hosted Malnuit's content, voluntarily becoming a defendant in the case. An online support petition attracted 11,000 signatures, and Left political parties and NGOs filed friend of the court briefs on behalf of Malnuit. As *Libération* ironically remarked, 'By multiplying its lawsuits, Danone has made a lot of noise.'[21]

On 23 April, a Paris court condemned the Réseau Voltaire and Malnuit to approximately $10,000 each in damages and ordered them to cease using Danone's logo. The court, however, observed that the defendants had in no way 'denigrated' Danone's products, and that their website constituted an exemplary form of public debate. Danone's critics had now received strong judicial protection for certain of their efforts.[22] Immediately, Malnuit created another site that met the court's new criteria while maintaining his protest, promising that it would now 'go beyond the simple question of the boycott and expose Danone's communication policies as well as the issue of intellectual property.'[23] He was referring in part to charges that the firm had forced web-hosting services to take down hostile sites. Rather than restricting debate, Danone's partial victory had widened it. Malnuit and his allies won a further partial victory on 14 May, when another court ruled that Danone could not stop critics from using its name for purposes of parody or criticism, while continuing to affirm that its logo could not be appropriated by critics.

The court hearings so far had involved a special procedure called the *référé*, which allows French magistrates to make preliminary rulings without hearing full evidence. A full trial took place in July. Danone was no longer content with a symbolic victory: it intended to seek damages of 4m francs (about US$650,000) for 'systematic denigration' amounting to 'sabotage' of its brand and logo. The firm announced that it would donate any damage awards to groups promoting free speech. It nonetheless continued to be accused by its adversaries, quoted widely in the press, of censorship. At trial, Danone won the damages it had sought; however, they were awarded on the basis of 'counterfeiting' of its logo, while charges that opponents had 'denigrated' Danone were once again rejected by the court. Malnuit and the Réseau Voltaire appealed.

Danone ultimately suffered a major defeat in May 2003, when the Court of Appeals of Paris ruled that its opponents did, in fact, have the right to parody Danone's logo.[24] Nor did Danone's actions prevent continuing, widespread hostile coverage in online media. The Réseau Voltaire registered numerous domain name variations on jeboycottedanone.com, and shifted content to the new sites when the original was threatened.[25] A Google search shows that 41 separate websites published all or part of the legal documents in the case against Malnuit. A search of Google groups shows that 1,790 separate articles including the terms 'Boycott' and 'Danone' were filed by correspondents of forums from Malaysia to the United States, in English, French and numerous other languages. The articles included regular reports on the progress of Danone's judicial counterattack. They also included repeated calls to boycott Danone products, which were renewed in 2003 by American, Spanish and UK protestors against France's decision not to participate in the invasion of Irak. Like these postings, the protest sites on the conflict remain accessible at this writing.

Rumors and Denial of the Boycott's Impact

In mid-May rumors that Danone had lost 10–20 percent of its sales in April appeared widely in the press.[26] If true, the impact on Danone could be up to 5 percent of total group sales. The stock fell 20 percent below its value in January, a significantly worse performance than the 10 percent decline in the Paris stock exchange and Danone's sector in Europe.[27] Danone's public image continued to suffer, with a fall of 60 percent in consumer confidence since January.[28]

At the annual shareholder meeting on 29 May, however, Riboud stated that group sales had risen by nearly 7 percent in April, despite a halt to all advertising and promotion in France.[29] He declared: 'The storm is over.' A sole reporter among those present noted that Riboud did not offer any details on sales in France, as opposed to worldwide sales.[30] The consensus was apparently that this did not matter. A Parisian stockbroker rejoiced: 'Before the meeting there were rumours in the market that sales had been hit by as much as 10 percent by the boycott and the fact that this is not the case is good news for investors.'[31] Financial analysts agreed that management merely confirmed information from 'other sources,' and that impact from the boycott and labor unrest would remain minimal.[32] Danone stock quickly recovered to its pre-January levels (see figures).

The rejoicing was premature. Danone's subsequent annual reports would indicate an ongoing and persistent loss of market share for its biscuit division in France, while labor unrest continued. Neither of these developments would be analyzed in the news media. But they *would* be remarked with growing dismay by another media vector: analyst reports.

PART II: THE AFTERMATH

Danone Corrects Its Information Without Effect on Media Opinions

Danone's first half interim report in July 2001 showed that like-for-like growth in France fell to 0.8 from 6.3 percent the previous year. There was no news media comment. In an October interview with *Le Monde*, a Danone spokesman recognized that the boycott had indeed knocked 10 percent off sales of fresh products in France in April. He further disclosed that strikes at the Evry plant had 'disorganized' production through

July, costing the firm about 8m euros, while biscuit sales were below normal levels until September.[33] These events had no visible effect on the news media consensus that Danone had prevailed.[34] *Le Figaro* concluded, in what was virtually the last word on the crisis in French news media:

> Danone lost in this battle its image of a socially responsible enterprise and is working to regain it. On the other hand, the impact of the boycott and the social crisis on the company's results was minimal. Despite a lowering of sales in April [2001], objectives for 2001 were met. Danone would survive[.][35]

Negative Effect of Danone's Revelations on Market Analysts

Financial analysts did not share the news media's sanguine view. A comprehensive review of reports by analysts who followed Danone from the last quarter of 2000 through the end of 2001 shows that information provided by management was increasingly regarded as invalid or insufficient by analysts. The theme appeared first in a report by analysts at Crédit Suisse First Boston in August 2001:

> [Danone] has negotiated a very tricky six months with a set of results that have met expectations[.] We do not entirely understand the manner in which it has done so, however … we do not believe that Danone has resolved its [operational difficulties] in French biscuits.[36]

A dynamic process now emerged in which a first break with consensus opinion is followed by further questioning, and then by a new, hostile consensus. The credibility of management was questioned at Wargny, a Paris brokerage house, where analyst Pierre Tegner wrote that Danone's 'counter-performances are surprising, coming after the reassuring discourse of the company.'[37] ING Barings analyst François Digard resisted this shift, then exemplified it: on 9 October he rated Danone stock 'buy,' arguing that French sales would recover now that Danone had resumed advertising and promotion. But two days later, after Danone released third-quarter data, Digard lowered his rating to 'hold,' noting that Danone also faced 'production glitches linked to restructuring.' On 16 November, following the release of further 'disappointing' quarterly figures from Danone, he headlined that investment in Danone was 'dead money.'[38] Similar shifts were visible at Deutsche Bank, Morgan Stanley Dean Witter, and Société Générale.[39] By early 2002 the theme had become general. Analysts emphasized the 'limited visibility' of Danone's recent data,[40] and still others warned that 'an improvement in visibility [of reporting] is likely to be a precondition of a re-rating.'[41] Management's communications strategy of emphasizing positive factors and reserving contradictory elements for later was being sanctioned by expert observers. Once again, news media did not report on this shift.

Decline in Danone's Market Capitalization

In 2001, Danone's stock underwent four sharp drops in price: in March–April, when the boycott first surfaced; in mid-April, when it gathered strength; in July–August, when management's declarations proved overly optimistic; and at the end of October, when the boycott's effects were confirmed. Figure 1 shows sales and volume movements in the stock during this period.

Figure 2, which provides quarterly averages for Danone's stock over three years, shows a fairly steady decline from the end of 2Q 2001, following Riboud's assurances to his shareholders, through 1Q 2003, during which the stock lost some 29 percent of its value. The difference in market capitalization from the June 2001 peak until the end of 2002, taking into account a share buyback at the end of 2001, was over 3bn euros. By 1Q 2004, Danone stock had regained 15

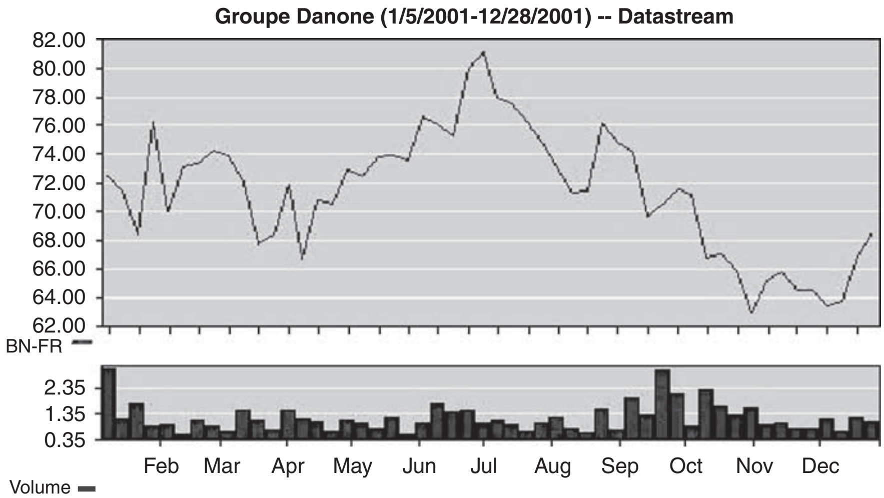

***Figure 1**: Sales and volume movement in Danone stock (5 January, 2001–28 December, 2001)*

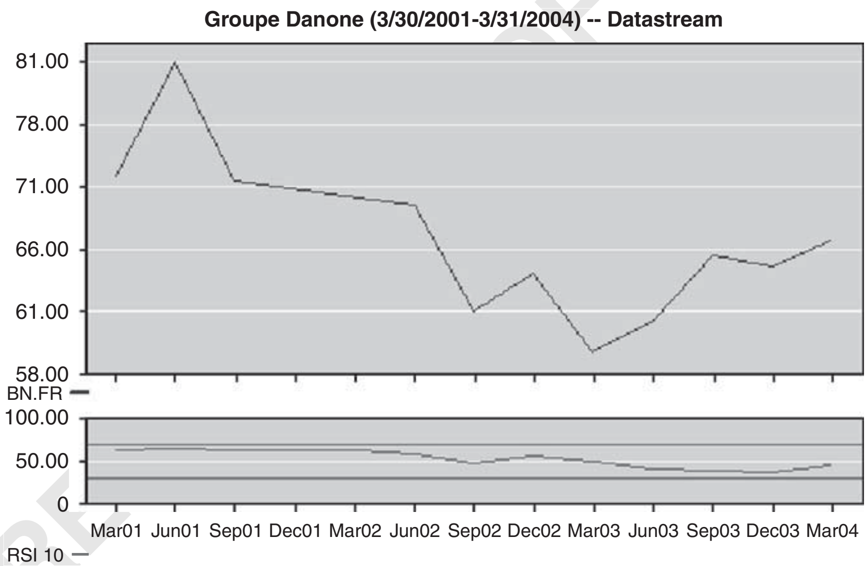

***Figure 2**: Quarterly averages for Danone's stock (30 March, 2001–31 March, 2004)*

percent over its trough to stand at 83 percent of its previous peak in June 2001.

Figure 3 compares Danone share prices to Nestlé, and suggests that as Danone's market valuation fell, its rival became a more attractive alternative to investors. This is in keeping with the observation that 'intangibles [assets such as corporate brand or management reputation] explain how two companies that look similar on paper can have very different share prices' (Argenti, 2006).

The boycott and labor unrest in France were not the sole causes of Danone's troubles. By the end of 2001, the Enron scandal, the New Economy stock meltdown and the 9/11 attacks in New York had greatly altered the global market environment. Danone was meanwhile managing more or less difficult situations in various regions, particularly in

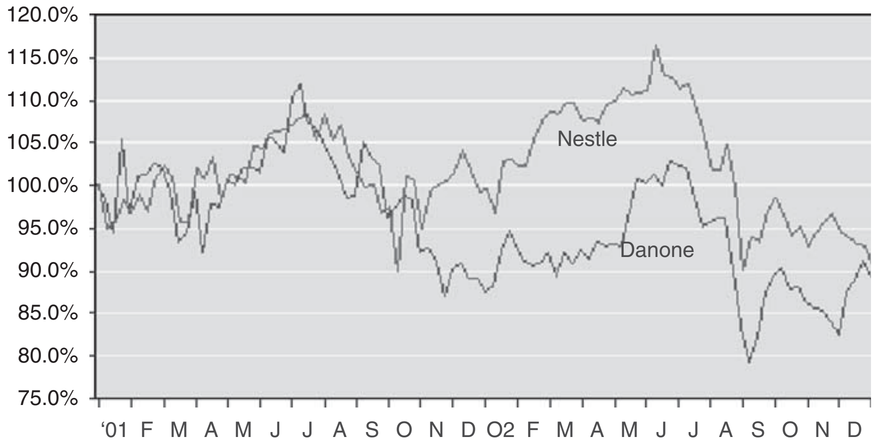

***Figure 3**: Danone and Nestle share price movements (January 2001–December 2002)*

the United States, where its bottled water sales suffered from new competition. Yet it is clear that for many analysts, these other setbacks and management assurances that they could be overcome were viewed with greater severity as a result of the boycott's surprising effects.

The stock decline had major implications for Danone. In the four years through 2005, the company repeatedly became the object of takeover rumors. The threats became so serious that in summer 2005, as talk of a takeover whipped the Paris Bourse, the government hurriedly enacted legislation making casinos a 'strategic sector' immune to predators; since Danone owned one, the firm was not for taking. Danone's strategy in the boycott crisis contributed to nearly losing the firm. Nor did it produce the desired results for the biscuit division, which Danone sold in 2007 after successive attempts to raise its profitability failed.

PART IV. DISCUSSION

The Limits of News Media Influence on Crises

The Danone boycott offers a striking caveat to key assumptions of contemporary crisis communications strategies – notably that the truth will out in the news media, and that the effects of mistruths will be devastating on public opinion and authorities. Horsley and Baker (2002) propose that such catastrophes may be avoided, and chances of successful outcomes increased, by timely, accurate and candid release of information, whether good or bad for the disseminating organization. More generally, 'those who are able to define what the crisis is all about also hold the key to defining the appropriate strategies for resolution' (t'Hart, 1993). In other words, the struggle to define the meaning of a crisis and how it should be resolved is a power struggle. Thus, one global consulting firm clearly recognizes: 'Stay open, frank and honest, and you will control: Who speaks the truth, in which circumstances, and when to reveal it.'[42] Transparency functions as a means of control, by serving to frame the limits of acceptable debate, and by providing continuous information that dominates the facts available to public opinion (Kuusisto, 1998).

Danone's actions during the boycott reflect these goals and tactics. Once Danone ended its initial silence, first the firm set forth principles to frame the crisis, and addressed public concerns through exemplary social measures. It also sued activists who challenged its framing of the issues and parodied its intellectual property. Finally, Danone presented a factually accurate though incomplete interpretation of the boycott's effects and declared the crisis over.

There are theoretical justifications for such a strategy. The repetition by Danone and news media of analyses hostile to the boycott's success may have had a discouraging effect on some potential boycotters and helped end the movement, because 'a decision [to boycott] will not be reached if a person feels powerless' (Klein *et al.*, 2004). In keeping with attribution theory, which holds that 'a crisis becomes a greater threat to an organization's reputation as attributions of crisis responsibility intensify' (Coombs, 2004), Danone's claims that it was being unjustly attacked and would take care of its workers might have convinced some observers that Danone was neither wholly responsible for the crisis, nor refusing to end it.

Most importantly, Danone's controlled transparency worked in shaping public opinion because news media did not seek further information about the full effects of the protests. But why didn't they? A cynical answer is that advertisers have historically held great influence over the news media (Hunter, 1997a); by suspending advertising and promotion, Danone gave advertising-dependent media a reason to wish the crisis would end. (There is no evidence that Danone intentionally used this weapon.) Also, some reporters and editors may have been sensitive to the charge that by giving attention to the boycott, they might weaken Danone and destroy more jobs. Moreover, the reporters who typically cover labor movements are not the same as those who cover business. As exemplified by *Libération*, labor reporters tended to focus more on the human, 'social' side of their stories than on the data that interest investors. Another explanation may be that when reporters contacted analysts, they appear to have done so in search of a quick verbal quote, and ignored more detailed information. Finally, it has been observed that the journalistic practice of objectivity leads to the practice of treating high-ranking official sources as more important than their adversaries, because the officials have an objectively greater social and political weight (Schiller, 1981). In this case, Q3 information emanating from union sources was treated as rumor, or placed far down in stories, while official declarations by Danone were treated as fact.

Another potential bias of news media coverage resides in the narrative framing of events. The news media entered this conflict with an inherited narrative frame: a boycott never had, and so never could succeed in France. But this does not explain their ignorance of its real outcome, because by the same token, the success of a boycott would be a major event. Part of the answer, perhaps, is that the protestors sought to force Danone not to close its plants, and Danone did not reverse its strategy, except in far-off Hungary.[43] Had protestors reframed the contest by declaring that their goal was to durably impact Danone's market value, their campaign may have received more careful attention.

There is a known tendency of news media to portray social or political conflicts as sporting events, in which the end goal is to name winners and losers (Cavender, 1993). This structural bias operated in the Danone case on several levels. Most obviously, once Danone declared victory, the story was over. Danone was said by news media to have lost part of its socially responsible image, but to have won the conflict because its sales remained on target, and because the firm 'survived.'

These criteria obscure not only the real achievements of the protestors, but a far larger issue where crisis communication is concerned. Adversaries do not need to kill a company in order for their protests to be effective, as this case shows. Achievement of a marginal negative effect on sales or operations, sufficient to demonstrate that management is not in control of the situation, may have wide impacts on the credibility and image of a firm, and a spillover effect on its market valuation. This suggests a hypothesis for future research: *Protest movements against firms may succeed by generating marginal losses that contribute to conflict between management and direct stakeholders.* From that perspective, the Danone boycott indeed succeeded, and the news media coverage of the crisis was irrelevant to the real stakes.

The Emerging Power of Stakeholder Media

The success of the protests was largely predicated on two vectors of opinion that are independent to a significant extent from the constraints of news media. The first of these vectors in the sequence of events was Internet-based protest. Danone's counterattack raised costs for the protestors, notably through the imposition of fairly significant damages. It also widened the secure legal ground on which its adversaries could stand, while ensuring widespread publicity to their personas. (Olivier Malnuit benefited personally: he was soon named editorial director of *Max*, a larger publication than *Technikart*.) Ultimately, the ruling that Danone could not forbid parodies of its logo equaled loss of a measure of control over crucial intellectual property, and the creation of jurisprudence hostile to wider business interests. These results are not unique. McDonald's attempt to stop protestors from denigrating its products in the United Kingdom likewise led to protracted legal action, partial victory for protestors, a widening circle of hostile publicity that included negative judicial consequences for the firm, and the concretization of an international Internet-based network of adversarial publicists.[44]

What is the real effect of these networks, and how many individuals do they mobilize? It is impossible to estimate the reach of media such as forum postings in terms of the number of page views (as opposed to replies in message threads about the boycott, which ranged from a very few to a few dozen per posting). In any case, these voices sufficed to demonstrate Danone's inability to silence protestors via judicial action. As one Internet protestor wrote: 'The boycott is a commercial weapon that scares firms a lot … since they have a lot of money, they try to smother calls to action against them. But lobbying your parents, friends, and others is fair play.'[45] It may be inferred that Internet protests offered aid and comfort to union activists whose efforts to damage Danone's operations continued well after the boycott was given up for dead by the news media. Quite simply, Danone's highly publicized judicial attack on the Internet told union activists that they were not alone, and increasingly, it told them that Danone could be beaten. In that regard the Internet protests had an effect that surpassed the likely hopes or real influence of their instigators.

A second vector of opinion was even more decisive. Danone's omissions concerning the movement's effects clearly contributed to alienating analysts, despite Danone's apparent ability to deliver results in keeping with management claims. From Danone's perspective, control of public opinion morphed into powerlessness with key stakeholders in the financial community, who no longer accepted management's credibility. Franck Riboud's personal involvement in the crisis clearly increased this risk. It is worth noting that he followed standard crisis management procedure: 'The CEO must be front and center. Visibility cannot be delegated. Leadership cannot be delegated' (Farmer and Tvedt, 2005). On the evidence of this case, this advice can backfire if an organizational leader engages the reputation of the organization on the basis of incomplete or false information. That risk may be durably magnified if the organization and its leader adopt a defensive position, rather than accepting responsibility for certain aspects of a crisis and apologizing for them (Lyon and Cameron, 2004). Neither in the crisis nor its aftermath did Danone acknowledge that it had effectively misled investors.

These outcomes suggest that crisis communication strategies must include a *stakeholder-centric* perspective aimed at anticipating and reducing conflict, rather than simply prevailing. In using this term, we distinguish between direct stakeholders such as investors, and indirect stakeholders, specifically including the news media, who are typically counted among stakeholder groups in the literature. We call strategies that focus on setting an agenda for opinion via the progressive release of information and messages to news media *opinion-centric*. The latter are aimed at creating what has been called a 'secondary narrative' through which an organization reinterprets a crisis for the public 'by way of the media' (Venette *et al.*, 2003). Although effective in certain situations, opinion-centric strategies discount the facts that protestors and key stakeholders can and do possess their own media, and that these media, often linked in online networks, have demonstrated considerable influence in varied circumstances (Danitz and Strobel, 1999). This case suggests several key distinctions between these *stakeholder media* and news media.

— First, while conventional wisdom holds that stakeholder media such as Internet protest sites are more prone to error and exaggeration than news media, some stakeholder media offer significantly greater specialized expertise than do news media. In this crisis, the reassuring discourse of reporters clearly mattered less to investors than the informed, critical discourse of analysts. This corresponds to a general trend of declining confidence in news media, among whose consequences is that 'primary reliance on media relations can be hazardous to the organization' in crisis (Geary, 2005).
— Moreover, whereas news media are more or less bound by the canons of objectivity to accept official declarations such as Franck Riboud's as valid until proven otherwise (Hunter, 1997a), these strictures do not apply to anything like the same extent to stakeholder media, where the expression of doubt or nonofficial views are accepted. This fact presents organizational leaders with a difficult decision: to tolerate relatively extreme declarations, or to attempt to silence them at the risk of amplifying their impact. The fact that Internet protestors offered at least some inaccurate information during the Danone crisis became a secondary issue compared to the simple fact of their designation by Danone as dangerous opponents. One strategy that Danone did not attempt here was to engage in dialog with its critics, notably by asking them to correct inaccuracies. In any case, leaders accustomed to the constraints of news media must recognize that stakeholder media operate by different rules, and must accept those rules as a given.
— The news is a mass medium, but stakeholder media are *community*-based – in this case, the investor community and the anti-globalist community.[46] Certain of these communities are durable, and thus so are their media. In the case of online communities, more or less loose networks of voluntary participants create content in multiple forms (forum and newsgroup articles, websites) that are highly mobile and resistant to control, as Danone discovered. This is not the case with news media, whose sedentary nature, high fixed costs and physical assets make them more vulnerable to legal countermeasures. Thus, libel judgements have been regularly used as a deterrent to investigative reporting by news media (Hunter, 1997a).
— News media have been shown to define what the public considers important, but

not what the public thinks or does about the issues (Lasorsa and Wanta, 1990). In contrast, stakeholder media aim at *generating action*, whether it be selling shares, not buying goods, or putting political militants in the street (Hunter, 1997b). Their impact on a crisis can thus be far greater than news media. (It is one thing to read an editorial that calls on politicians to enact a law, and quite another to look out the window and see an angry crowd calling for reform.) Both stakeholder calls to action in the Danone case – the Internet protestors' demands to boycott, and the analysts' warnings to divest the stock – coincided with measurable effects, respectively, on Danone's sales and market valuation. The fact that news media consistently dismissed the possibility that the boycott could have an effect is particularly noteworthy here, because it did not prevent the effect from occurring.

— Stakeholder media are largely immune to pressures implicit in advertising budgets, as news media are not. Hence, the watchdogs are not necessarily in the news media. Stakeholder media also perform this role, and may have massive impact on the communities they serve. Their impact on management behavior, however, may be significantly less than, say, an article in the *Financial Times*. Research has demonstrated a negative relationship between shareholder proposals and corporate social performance (Parthiban *et al.*, 2007), implying that while management hears stakeholder protests its response may be to resist them. One reason, perhaps, is that 'having executives assess how they might be perceived by various stakeholders… often bring[s] unflattering perspectives to light' (Pearson and Mitroff, 1993). The same things that make stakeholder information of great interest also make it highly disagreeable to hear. That does not absolve organizational leaders from the necessity, particularly in crisis, of attending to stakeholder-generated information that can affect the outcome.

Conclusion: Toward Dialog with the Adversary

We conclude with two further hypotheses to be explored in further research. The first is that crisis communication strategies that give priority to influencing public opinion may increase the risk of conflict with key stakeholders. This risk is known: 'Tensions among strategies can sometimes develop as firms in crisis … try to address the different needs of assorted stakeholder-audience groups' (Livesey, 2001). The implication is that crisis communication must aim not merely at diffusing messages, but also at deepening dialog with key stakeholders. The importance of dialog in crises has been recognized, but in practice, mainly as a means to gather information during initial response to a crisis, prior to interpretation, decision and dissemination of organizational messages, as Hale *et al.* noted in a survey of crisis communication practices (2005).

How would a strategy of dialog look in this case? One possibility is that Danone could have engaged critics by asking them to propose alternatives to restructuring. A similar approach to politicians – for example, by asking them to change the law that made it legally risky for Danone to reply to its critics – could have permitted the firm to publicly discuss alternatives, or simply to assign part of the blame for the situation on critics. Finally, Danone could have acknowledged the specific impacts of the boycott (at the risk of empowering opponents), and sought alternatives to restructuring in consultation with stakeholders. Danone and its biscuit operations were profitable, and restructuring, though desirable for investors, was not urgent. Maintaining management credibility *was* urgent.

These observations suggest a further hypothesis: *An unresolved conflict between a firm and its direct stakeholders decreases the stakeholders' perception of the firm's value.* This hypothesis is consistent with research showing that shareholder activism followed by management response contributes to the value of a firm (Akhigbe *et al.*, 1997b). The implication is that crisis communication should be aimed not only or merely at stating a firm's position and the facts it considers relevant to the crisis, but at anticipating or resolving conflict with stakeholders. Most importantly, where investors were concerned, Danone could have acknowledged the boycott's impact on sales in France at its shareholder assembly on 29 May, 2001. Passing over the impact avoided empowering adversaries, but amplified the significance of the eventual and inevitable discovery of contrary facts.

Managing a crisis does not, and cannot, only mean 'winning' over the firm's adversaries in the domain of public opinion; management's urgent tasks include averting, or failing that, healing conflict with direct stakeholders. The nature of crises has changed. They are more than ever rooted in clashes of values, and all who participate in them now own a public voice. Organizational leaders who seek to manage social crises by control of information, and through it, control of opinion, are fighting a battle that they will lose.

Notes

1 In an interview with ITworld.com, 15 March, 2001, Baruch Lev noted: 'The market value of S&P 500 companies is more than six times what's on their books. This means that for every $6.50 or so of market value, only $1 appears on the books. It's extraordinary that the balance sheet number reflects only 15 percent or so of the value of these companies. And since this is the S&P 500, it includes about 80 percent of corporate America, a lot of financial institutions, low-tech, all the oil companies and retailers. This is not the new economy. And even if those who think that this market value is inflated are right, if you take 50 percent off the market capitalization, there is still a huge gap.'

2 The record used for this article includes a comprehensive survey of newspaper articles in French and English available through the Lexis–Nexis and Factiva databases, as well as Danone annual reports and communiqués and analyst reports drawn from the Investext Plus database, for the years 2001 and 2002. For a more complete record of the crisis events described in this article, see Mark Hunter, Marc Le Menestrel and Henri-Claude de Bettignies, 'Who Won the Danone Boycott? (A,B,C).' Fontainebleau: INSEAD 2006. Danone SA was invited to review and comment on the above cases before their publication; no prior approval of the authors' work was solicited or granted.

3 Groupe Danone, 'Document de référence [annual report] 2000,' p. 23.

4 Anonymous, 'New Formula Danone Back on the Attack.' ING Barings European Company Report, 1 December, 2000.

5 See anonymous, 'Danone s'estime victime d'une campagne de destabilisation.' Les Echos, 18 January, 2001, p. 18.

6 Jean-François Arnaud, 'L'Affaire LU, Douze Mois dans les Coulisses d'un Plan Social.' *Le Figaro*, 7 January, 2002, p. 1+. The reporter obtained extraordinary access to both Danone management and unions.

7 See ABN-Amro, Food Producers & Processors Sector Research, 'Danone: Getting Back on Track,' 18 January, 2001.

8 *Op. cit.*, Arnaud.

9 See Groupe Danone, 'Document de référence 2001,' pp. 35–36.

10 These data were mentioned in *op. cit.*, 'Danone s'estime victime d'une campagne de destabilisation,' and 'No regrets for Danone's determined Riboud: The food group's chief is standing firm on the factory closures.'

11 Sophie Roquelle, 'Face aux hesitations du gouvernement, les élus de la majorite et le conseil régional d'Ile-de-France font monter la pression; Le boycott anti-Danone mobilise la gauche.' *Le Figaro*, 6 April, 2001.

12 Hungarian News Agency (MTI), 'Government and Danone Negotiate On Closure Of Gyor Factory.' 21 April, 2001.

13 Anonymous, 'Le Boycott de Danone ne prend pas.' *Le Figaro*, 18 April, 2001.

14 See Benoit Heilbrunn, 'On se leve tous pour. Danone; Tant que ne se developpera pas en France un puissant lobby consumeriste, les actions de boycott echoueront, car l'attachement aux marques reste le plus fort.' 19 April, 2001.

15 See Frédéric Pons, 'Le boycott de Danone proche de la peremption.' *Libération*, 3 May, 2001.

16 According to studies by, respectively, the national statistics institute INSEE and the private BVA survey firm.
17 *Ibid*.
18 The parody is visble at: http://reseauvoltaire/jbd/.
19 These facts are quoted in Tribunal de Grande Instance de Paris, Ordonnance de référé du 23 avril 2001. Via Internet, http://www.legalis.net/cgi-iddn/french/affiche-jnet.cgi?droite=decisions/marques/ord_tgi_paris_230401.htm.
20 Anonymous, Danone demande la fermeture du site jeboycottedanone.com. Le Tribune, 19 April, 2001.
21 Marie-Joëlle Gros, 'Le Claque de Danone à ses détracteurs.' Libération, 31 mai 2001.
22 See, for example, Estelle Dumont, 'Danone fait interdire la contrefaçon, pas la critique,' published by www.zdnet.fr on 24 April, 2001 and archived at: http://www.zdnet.fr/actualites/internet/0,39020774,2062909,00.htm.
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24 Cathy Leitus, 'Droit des marques: Le détournement de logos est un droit.' Stratégies, 9 May, 2003.
25 *Op. cit.*, Dumont.
26 Anonymous, 'Danone touché par le boycott,' *Le Nouvel économiste*, 18 May, 2001.
27 Anonymous, 'L'orage est passé,' *La Vie Financiere*, 16 June, 2001.
28 The survey appeared in *Le Nouvel économiste* of 20 April, 2001, cited in Belot, Laure, 'Comment le Groupe Danone a abimé son image,' *Le Monde*, 23 April, 2001.
29 Anonymous, 'Danone: le boycott n'a pas ralenti la croissance du chiffre d'affaires.' *Les Echos*, 30 May, 2001.
30 *Ibid*.
31 *Op. cit.*, 'L'orage est passé.'
32 Anonymous, 'Danone: Shareholder's meeting comment.' Deutsches Bank, 31 May, 2001.
33 Belot, Laure, 'Nous ne fermerons pas d'autres usines en France dans les annees qui viennent.' Le Monde, 24 October, 2001.
34 We personally posed the question 'Who won the Danone boycott?' to several dozen reporters from France 3 Television during training seminars over a two-year period; the uniform response was, Danone.
35 *Op. cit.*, Arnaud. See also Mas, Isabelle, 'Idée reçue: "le boycott n'est pas efficace"': insignifiantes les mises à l'index économiques? Pas si sûr. Des cas précis démontrent même le contraire.' ('Received idea: boycotts don't work. Are economic accusations insignificant? Not certain. Precise cases show the contrary.' *L'Expansion*, No. 675, May 2003, p. 120. In this article, the author lists a number of successful boycotts in France; Danone is not included.
36 James Edwards Jones *et al.*, 'Is it all eau-ver?' Credit Suisse First Boston equity research, 2 August, 2001.
37 See 'Danone: Une croissance sous tension,' Société de Bourse Wargny, October 2001.
38 François Digard, 'Danone.' ING Barings, 9 and 11 October and 16 November, 2001.
39 See, for example, Joseline Gaudino and Sandrine Le Guennec, 'A Good Q1,' April 2001, and 'Une machine légèrement enrayée à court terme,' 11 October, 2001, Société Générale.
40 Sylvain Massot and Eva Quiroga, 'Danone: No Surprises in 2001, But It Is 2002 That Really Counts.' Morgan Stanley Dean Witter, 19 February, 2002.
41 Charlie Mills *et al.*, 'A Plea for Clarity.' Credit Suisse First Boston, 18 February, 2002.
42 Muriel Fontugne (Ernst & Young), Presentation for Round Table, AFPLANE Colloquium, Paris, October 2001.
43 Danone announced in October 2001 that it would keep the Gyorki plant open and invest 3m euros to modernize it.
44 For an astonishing first impression of the case and its impact, in particular empowerment of protestors, see http://www.mcspotlight.org/case/index.html.
45 The correspondent is 'jbg34' at: http://groups.google.fr/group/fr.misc.automoto.mecanique/browse_thread/thread/69dbdfd46d4f4c17/96edecfaebd4160d?hl=fr&lnk=st&q=danone+boycott+malnuit#96edecfaebd4160d.
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