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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 rationalise its biscuit division suggests that under certain conditions these streams are convergent: A firm’s refusal to engage in dialogue 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 control of opinion carry growing risks, if not with news media and general public opinion, 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.

I. Introduction

A consumer boycott inflicts a multi-layered impact on a public firm. Beyond the direct impact on the target's sales and reputation, and even more significant, 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 capitalisation. All of these dynamics were present in the subject of this article, a consumer boycott that hit 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.

The contributions of this article include strong empirical support for two emerging and parallel streams of theory. The first stream proposes that business organisations occupy an increasingly political role in society, and as such, are condemned to dialogue with other social and political actors. Palazzo and 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 capitalisation 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 dialogue in a crisis situation, a firm can greatly magnify the risks to the reputation of its leadership, and consequently to its market capitalisation.

A further contribution concerns a new role played by media in organisational 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

[1] In an interview with ITworld.com, March 15 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."

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

A. 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 % of the fims 14.3 billion euro sales and 33.8 % of profits,[3] and surveys consistently showed that Danone's brand was the country's most admired and trusted. Remarkably, though the group was engaged in virtually continuous restructuring, rationalisation helped to 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 in Nov. 2000 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 firm in Europe. Management's studies of how to reduce that capacity were leaked with massive consequences.

B. Revelation and silence

On January 10 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.[5] This response clearly aimed at avoiding risks that restructuring

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[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] ING Barings Nov 2000

[5]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. See Anon., "Danone s'estime victime d'une campagne de destabilisation." Les Echos, Jan. 18 2001, p. 18.

would be overturned by judicial challenges from unions. Strikes immediately broke out at the firm's biscuit plants.[6] The financial community, however, largely welcomed the news.[7]

Over the next two weeks, protest widened to the political sector and the public. A survey showed that 85% 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 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."[8]

On March 29, Danone announced that it would close two plants in France (and not seven, as *Le Monde* had reported) and others in Hungary and Italy. It simultaneously presented a plan of social measures for displaced workers that went well beyond those required by French law.[9] Unfortunately for Danone, that same day U.K.-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% of the French still supported Danone's workers, and 90% said that profitable companies should not be allowed to fire workers.[10]

C. The Boycott is launched

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[6] Jean-François Arnaud, "L'Affaire LU, Douze Mois dans les Coulisses d'un Plan Social." *Le Figaro*, Jan. 7 2002, p. 1+. The reporter obtained extraordinary access to both Danone management and unions. He notes that in at least one plant workers allowed unbaked dough to harden like concrete in its receptacles, an unprecedented protest.

[7] While some analysts recognized that Danone's plan would involve social, legal and perhaps political difficulties, analysts at ABN-Amro raised their rating from « hold « to « add », suggesting that precisely because of it: "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." See ABN Amro, Food Producers & Processors Sector Research, "Danone: Getting Back on Track," Jan. 18 2001.

[8] Op. cit., Arnaud. An attempt by the plant manager to block access to a Trotskyite municipal council member failed when he had himself named a union delegate.

[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. See Groupe Danone, "Document de référence 2001", p. 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."

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.[12] Not one article in the French national press predicted a victory for the movement.[13] On the contrary, print media across the political spectrum insisted on the fact that no major consumer boycott had ever succeeded in France[14],[15].

D. Danone versus the Internet

To help boycott supporters identify Danone's multiple brands, union officials distributed lists of its products, which the daily *Libération* reprinted. But these tactics were soon surpassed by the mobilisation of Internet users.[16] On April 4, magazine editor Olivier Malnuit opened a website, jeboycottedanone.com ("I boycott Danone"), featuring a Danone logo modified to include the slogan "human beings are not yogurts."[17] Among other things, the site provided a list of all brands owned by Danone.[18] Danone counterattacked on April 18, asking the courts

[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." April 6, 2001.

[12] 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 April 20, the Hungarian government officially announced that it "expressly insists on [Danone] keeping the Gyorki biscuit factory in operation."Hungarian News Agency (MTI), "Government and Danone Negotiate On Closure Of Gyor Factory." April 21, 2001.

[13] Typical was an anonymous article in *Le Figaro*. "Le Boycott de Danone ne prend pas," April 18, 2001 : "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 per cent of its customers have requested that it boycott Danone products, and many retailers tell a similar story."

[14] 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. 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." April 19, 2001.

[15] The consensus on this belief remained intact at times despite evidence to the contrary. For example, *Libération* headlined on May 3 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 plant reported that sales of its output were down 13% 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. See Frédéric Pons, "Le boycott de Danone proche de la peremption." May 3 2001.

[16] From 1998 to 2000, Internet use in France expanded threefold, to 12 % of homes and 20% of individuals over the age of 15, according to studies by, respectively, the national statistics institute INSEE and the private BVA survey firm.

[17] The parody is visble at http://reseauvoltaire/jbd/.

[18] See 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
The site proclaimed that "a boycott is the last remaining form of political action in a society where money has

to forbid Malnuit from using the firm's logo or name, and demanding damages for "denigration". The business daily *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," clearly implying that Danone might lose.[19] Free speech groups, Left political parties and NGOs filed friend of the court briefs for the defendants. The courts condemned Danone's adversaries for misuse of its logo, but observed that they had in no way "denigrated" Danone's products, and that their websites constituted an exemplary form of public debate.[20] Nearly two years later, a court of appeals reversed damage awards to Danone, ruling that its critics had a right to parody its logo. Danone's judicial counter-attack led to a precedent negative for wider business interests.

E. Rumours and denial of the boycott's impact

In mid-May rumours that Danone had lost 10 to 20% of its sales in April appeared widely in the press.[21] If true, the impact on Danone could be up to five percent of total group sales. The stock fell 20% below its value in January, a significantly worse performance than the 10% decline in the Paris stock exchange and Danone's sector in Europe.[22] Danone's public image continued to suffer, with a fall of 60% in consumer confidence since January.[23] However, at the annual shareholder meeting on May 29, Riboud noted that group sales had risen by nearly 7 percent in April, despite a halt to all advertising and promotion in France.[24] He declared: "The storm is over." A Parisian stockbroker rejoiced: "Before the meeting there were rumours in the market that sales had been hit by as much as 10 % by the boycott and the fact that this is not the case is good news for investors."[25] Financial analysts agreed that management merely confirmed information from "other sources", and that impact from the boycott and labor unrest would remain minimal.[26] Danone stock quickly recovered to its pre-January levels (see charts below). The social protests petered out, though labor unrest continued, in the absence of media attention.

Part II: The Aftermath

A. Danone corrects its information without effect on media opinions

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profoundly perverted the democratic system," and demanded the rehiring of all the Danone employees who had been fired; in fact, no one had been downsized yet.

[19] Anon., Danone demande la fermeture du site jeboycottedanone.com. *La Tribune*, April 19 2001.

[20] See, for example, Estelle Dumont, « Danone fait interdire la contrefaçon, pas la critique », published by www.zdnet.fr on April 24, 2001 and archived at http://www.zdnet.fr/actualites/internet/0,39020774,2062909,00.htm.

[21] Anon., "Danone touché par le boycott", *Le Nouvel économiste*, May 18 2001.

[22] Anon., "L'orage est passé". *La Vie Financiere*, June 16 2001.

[23] The survey appeared in *Le Nouvel économiste* of April 20 2001, cited in Belot, Laure, "Comment le Groupe Danone a abimé son image", *Le Monde*, April 23 2001.

[24] Anon., "Danone**:** le boycott n'a pas ralenti la croissance du chiffre d'affaires." *Les Echos*, May 30 2001.

[25] Op. cit., "L'orage est passé."

[26] Anon., "Danone: Shareholder's meeting comment". Deutsches Bank, May 31, 2001.

Danone's first half interim report in July 2001 showed that like-for-like growth in France fell to 0.8% from 6.3% 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% 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 8 million euros, while biscuit sales were below normal levels until September.[27] These events had no visible effect on the news media consensus that Danone had prevailed. *Le Figaro* concluded:

> "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[.]"[28]

B. 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."[29]

A striking example of this turnaround in opinion is ING Barings analyst François Digard, who on Oct. 9 2001 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 November 16, following the release of further "disappointing" quarterly figures from Danone, he headlined that investment in Danone was "dead money."[30] Similar shifts were visible at Deutsche Bank, Morgan Stanley

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[27] Belot, Laure, "Nous ne fermerons pas d'autres usines en France dans les annees qui viennent." Le Monde, Oct. 24 2001.

[28] 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." ("Recived 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. We personally posed the question "Who won the Danone boycott?" to several dozen reporters from France 3 Television during seminars over a two-year period ; the uniform response was, Danone.

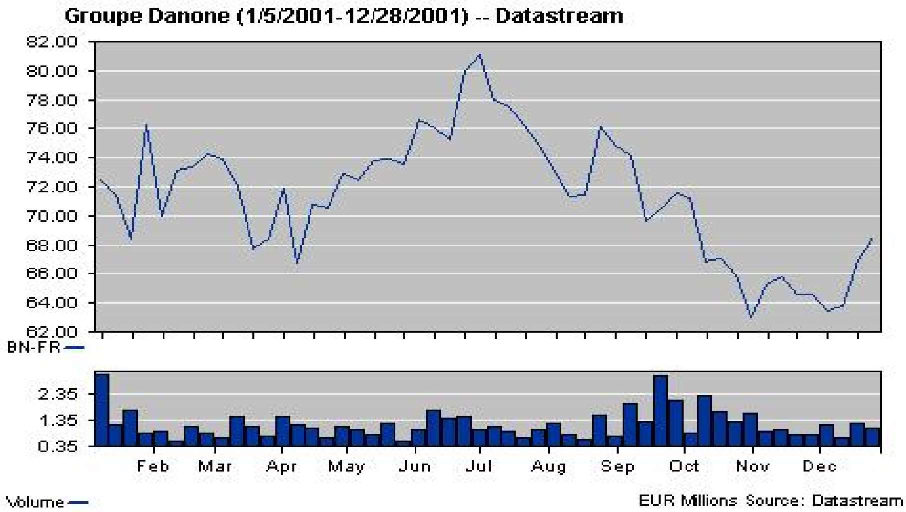
[29] James Edwards Jones et. Al. , "Is it all eau-ver?" Credit Suisse First Boston equity research, Aug. 2 2001. The credibility of management was likewise scathingly questioned at Wargny, a Paris brokerage house, where analyst Pierre Tegner wrote that Danone's "counter-performances are surprising, coming after the reassuring discourse of the company." See "Danone: Une croissance sous tension", Société de Bourse Wargny, Oct. 2001.

[30] François Digard, "Danone." ING Barings, Oct. 9 and 11 and Nov. 16 2001.

Dean Witter (MSDW), and Société Générale.[31] By early 2002 the theme had become general. Analysts emphasised the "limited visibility" of Danone's recent data[32], and still others warned that "an improvement in visibility [of reporting] is likely to be a precondition of a re-rating."[33] 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.

C. Decline in Danone's Market Capitalisation

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. The charts below show sales and volume movements in the stock during this period:

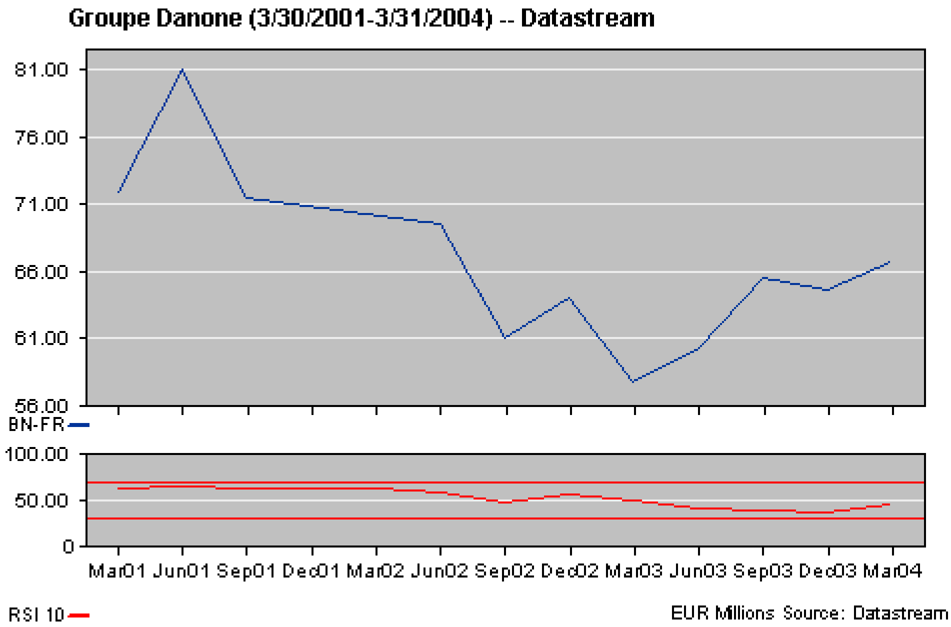


The following chart, which provides quarterly averages for Danone's stock over three years, shows a fairly steady decline from the end of 2Q 2001, following Riboud's assurances to his shareholders, through 1Q 2003, during which the stock lost some 29 % of its value. The difference in market capitalisation from the June 2001 peak until the end of 2002, taking into account a share buyback at the end of 2001, was over 3 billion euros. By 1Q 2004, Danone stock had regained 15 % over its trough, to stand at 83 % of its previous peak in June 2001.

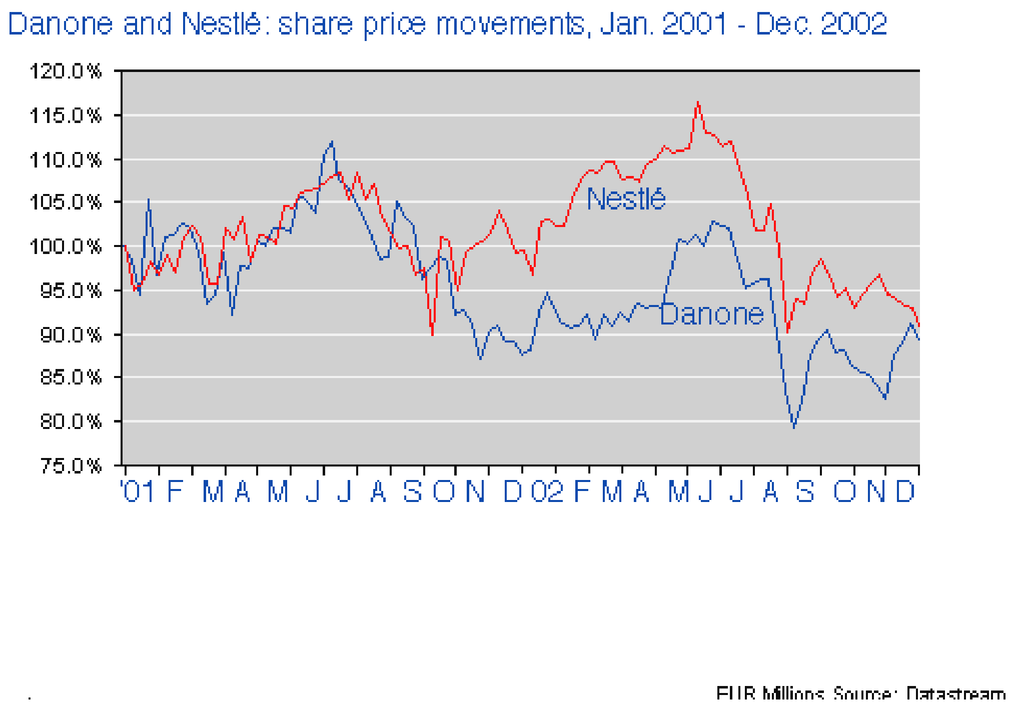
[31] See, for example, Joseline Gaudino and Sandrine Le Guennec, "A Good Q1" , April 2001, and "Une machine légèrement enrayée à court terme", Oct. 11, 2001, Société Générale.

[32] Sylvain Massot and Eva Quiroga, "Danone: No Surprises in 2001, But It Is 2002 That Really Counts." Morgan Stanley Dean Witter, Feb. 19, 2002.

[33] Charlie Mills et. Al., "A Plea for Clarity." Credit Suisse First Boston, Feb. 18, 2002.



The next chart compares Danone share prices to Nestlé, and suggests that as Danone's market valuation fell, its rival became a more attractive alternative to investors:



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 the U.S., 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.

Part IV. Discussion

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 organisation. 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.”[34] 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 to 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 important, 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? One reason, perhaps, is that the protestors sought to force Danone not to close its plants, and Danone did not reverse its strategy, except in Hungary[35]. Had protestors reframed the contest by declaring that their goal was to durably impact Danone’s market value, their

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[34] Muriel Fontugne (Ernst & Young), Presentation for Round Table, AFPLANE Colloquium, Paris, October 2001.

[35] Danone announced in October 2001 that it would keep the Gyorki plant open and invest 3 million euros to modernise it. News media reported that government pressure to do so had been significant.

campaign may have received more careful attention. The 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) clearly came into play here; once Danone declared victory, the story was over. Also, advertisers have historically held great influence over the news media (Hunter 1997); by suspending advertising and promotion, Danone gave advertising-dependent media a reason to wish the crisis would end.

In contrast, Danone's omissions concerning the boycott's impact on sales and its dismissal of labor unrest clearly contributed to alienating analysts, despite Danone's apparent ability to deliver results in keeping with management claims. From Danone's perspective, control morphed into powerlessness: Key stakeholders in the financial community no longer accepted management's credibility. Franck Riboud's personal involvement in the crisis 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). This advice can backfire if an organizational leader engages the reputation of the organization on the basis of incomplete or false information. That risk is 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. 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). Though 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 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 specialised 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 1997), these strictures do not apply to anything like the same extent to stakeholder media, where the expression of doubt or non-official views are accepted.

- The news is a mass medium, but stakeholder media are *community*-based – in this case, the investor community and the anti-globalist community.[36] These communities are durable, and thus so are their media. 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.

- 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. However, their impact on management behavior 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 reponse 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 interest also make it disagreeable to hear.

We conclude with three 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 dialogue with key stakeholders. The importance of dialogue in crises has been recognised, but in practice, mainly as a means to gather information during initial response to a crisis, prior to interpretation, decision and dissemination of organisational messages, as Hale, Dulek and Hale noted in a survey of crisis communication practices (2005).

How would a strategy of dialogue 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

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[36] The latter became a highly visible force in 1999 during protests against the Seattle World Trade Organisation meeting, and took institutional form in France with the founding of the non-governmental orgaisation ATTAC in 1998.

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 important, where investors were concerned, Danone could have acknowledged the boycott's impact on sales in France at its shareholder assembly on May 29 2001. Passing over the impact avoided empowering adversaries, but amplified the significance of the eventual and inevitable discovery of contrary facts.

A final hypothesis is that *protest movements against firms succeed to the extent that they create conflict between management and direct stakeholders.* Whether or not sales decline significantly, boycotters and other protestors may inflict major damage on a firm's valuation by enticing it into an adversarial position to other stakeholders. From that perspective, the Danone boycott succeeded.

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. Organisational 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.

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