

## **CAUGHT IN THE MIDDLE**

*A case study on the boycott of Arla Foods in the Middle East*

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## **TEACHING NOTES**

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The authors prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

## Case Synopsis

On 30th of September 2005 the Danish newspaper Jyllandsposten publishes a series of cartoons depicting the prophet Mohammed in a way that offended Muslims all over the world. The Muslim communities are demanding an apology from the newspaper but Jyllandsposten argues that it is simply using its freedom of expression. When Jyllandsposten do not withdraw the pictures or apologize in such a manner as demanded, the Muslims turns to the Danish Government requesting them to take action. The Government, however, argue that they cannot control the press and underlines that freedom of expression is a cornerstone of the Danish culture and democracy. The conflict escalates and in the end of January 2006 consumers in the Middle East initiates a boycott of Danish products. Arla is quickly recognized as the company suffering the worst losses from the boycott. Due to conflicting views among Arla's multiple stakeholders, the company now finds itself caught in the middle. For each day that the conflict continues Arla is losing a significant amount of money and the situation has left Arla under extreme pressure.

The participants or reader should take the role as the executive management of Arla and is asked to decide on a strategic response to the crisis while reasoning on what Arla should do in order to regain its position and reputation in the Middle East.

## Learning objectives and related theory

The case of Arla is both interesting and complex due to the fact that the issue at hand is rooted in a cultural conflict based on fundamental values and worldviews. Very simply put, it could be said that the core of the conflict is based on cultural differences and opposing views regarding the freedom of expression versus religious beliefs. Naturally, this is a very narrow description of the conflict, however, the aim of this case is not to discuss the actual conflict per se. Rather, the aim of this case is related to strategic brand management and crisis management. More specifically, the main learning objective of this case is for the reader **to understand and be able to identify** what strategic response approach a company could use when faced with a crisis where: 1) the company is not to blame for the crisis; 2) the integrity of the company must be balanced against both cultural and ethical issues; and 3) there are multiple stakeholders involved whose views on the matter could potentially create more damage to the brand if the wrong approach is chosen.

The reader of the case is expected to think critically and creatively on an advanced level. The learning objective is much based on Roper and Fill's (2012) theory of strategic response to issues. Roper and Fill draw on the work conducted by Cornelissen (2008), and state that there are four (4) possible strategic responses to an issue/crisis. See **Table 1** for an overview of the different strategies.

**Table 1.** Strategic response to an issue

<b>Silence Strategy</b>	Applied when issue/crisis is perceived to be of little threat to the organisation, or when the organisation is uncertain of how to respond. In these cases the organisation might seek to buy time, restrict the development of the issue and remain silent.
<b>Accommodation Strategy</b>	Applied when issue/crisis is so overwhelming that the only viable course of action is to conform to the changes in the environment and accommodate the issue through internal adaption
<b>Reasoning Strategy</b>	Applied when the impact on the organisation is not clear-cut and dialogues with key stakeholders are necessary as a part of the relationship development value. In this case the response strategy should be to encourage discussion, either online or through focus groups, and to engage opinion leaders and opinion formers.
<b>Advocacy Strategy</b>	Applied when the issue/crisis has the potential to threaten the organisation and prevent it from reaching its objectives. The strategy is to change public opinion and the way stakeholders perceive the issue. Communication should encourage stakeholders to perceive the issue differently (preferably from the organisation's perspective) and persuade them to rethink.

(Roper & Fill, 2012. pp. 306-307)

Thus, the aim is for the reader to reflect upon these approaches, while considering the key challenges, and then be able to argue for which approach will be the best in the case of Arla. Here, it is important to note that we are also aiming for the reader to think creatively and see possibilities of combining the different approaches. In the case of Arla, the company chose to apply the two last approaches (i.e. Reasoning Strategy and Advocacy Strategy).

### *Reasoning Strategy*

When using the reasoning strategy to respond to an issue/crisis, the company seeks to have a dialogue with the key stakeholders. However, in order to do this, it is first necessary to establish who the key stakeholders are. For this reason, the first question we ask the reader is "*Who are the key stakeholders of Arla in this situation?*" In the case of Arla there are many stakeholders to consider, which is also why the case is rather complex. However, Muslim opinion leaders, the Danish Government, Arla's owners (the farmers), the media, the Muslim customers, and the Danish customers are all stakeholder that the reader should be able to identify as **key** stakeholders.

As explained in **Table 1**, using the response strategy of reasoning, the organization should also try to engage opinion leaders and opinion formers. A good illustration of how Arla did this is when Arla's CEO Peder Tuborgh wrote a personal letter to the Prime Minister of Denmark asking the Danish government to take an active role in the conflict and open up for a positive dialog with the general public of the Middle East. Furthermore, Arla published a large amount of press releases seeking to reason both with the media and the consumers (both domestically and in the Middle East). A good example of this is when Arla paid for an advertisement citing the Danish Embassy's press release word for word in the leading newspapers in Saudi Arabia. However, as the tension continued to grow, partly due to the fact that the "apologies" that were offered were not deemed as genuine, Arla saw the need to take a more reactive approach.

### *Advocacy strategy*

The strategic response of advocacy should be applied when the issue/crisis has the potential *to threaten the organization and prevent it from reaching its objectives. The strategy is to change public opinion and the way stakeholders perceive the issue.* (Roper & Fill, 2012, p. 307). As the boycott continued and Arla was facing a financial loss of approximately £1 million per day, it is clear that the crisis was preventing them from reaching their objectives.

Furthermore, one of the key issues related to this case is Arla's clear association to Denmark. Arla's problem can be explained using the theory of *reputational association* (Roper & Fill, 2012, p.14). Reputational association refers to the transmission of negative reputation that occurs when one organization (or individual) is associated with an entity (i.e. person, organization, or in this context: a country) that has a bad reputation (Roper & Fill, 2012, p.14). In other words, the main issue of this case is that the reputation of Arla suffered a blow in the Middle East because the organization's stakeholders in the Middle East perceived Arla to share the same values, views and stands as the Danish Government and Jyllandsposten by default due to the origin of the company and its association to Denmark. The learning objective here is for the reader to recognize that Arla's key challenge is the close association to Denmark and that Arla's actual brand has been made irrelevant in this context due to its origin. According to Mats Urde (2015, lecture 2), with image and reputation it all comes down to perceptions. How customers and non-customer stakeholders perceive the organization is the "reality", not what the organization actually says or does. For this reason, Arla deemed it crucial to change the Muslim communities perception of Arla, and make them reconsider the boycott.

The first thing Arla did was to create a frame for the communication. *The use of framing can serve to shape the way stakeholders perceive the organisation and the associated crisis* (Roper & Fill, 2012. p. 310). Since Arla considered it imperative to change the Muslim communities' perception of Arla and the perceived association to Denmark, Arla created a frame of their communication where they emphasized their innocence in the conflict. According to Coombs (2007) there are three possible ways to frame crisis communication, which he labels as clusters (Roper & Fill, 2012). The three clusters are shown in **Table 2**.

**Table 2.** Framing clusters

<b>Victim cluster</b>	The organisation is seen as a victim of the crisis. Stakeholders attribute little responsibility to the organisation so there is only a mild reputational threat.
<b>Accident cluster</b>	The actions of the organisation leading to the crisis were minimal and the threat to reputational status is moderate.
<b>Preventable cluster</b>	The organisation deliberately placed people at risk, took inappropriate actions or violated regulations and, in doing so, caused a threat to the reputation.

(Coombs, 2007. Cited in: Roper & Fill, 2012, p. 310)

The natural selection of framing in the case of Arla would be the victim cluster (which is the one Arla did choose). With the use of this frame, Arla takes the role as a victim of the crisis. According to Pearson and Mitroff (2003) there are several roles stakeholders of a crisis could take (cited in: Roper & Fill, 2012). As Arla is not responsible for the crisis it is a stakeholder affected by it. That is, Arla could take on a certain stakeholder “crisis” role. Pearson and Mitroff (2003) have identified a total of seven (7) possible stakeholder crisis roles. They are as follows: rescuer, hero, victim, protector, ally, enemy, and villain. As previously stated, in the case of Arla the role of victim would be the most obvious choice, in which the *organisation suffers financially, lose customers or market share or endure reputational loss as a result of the crisis that the victim did not instigate* (Roper & Fill, 2012, p. 308)

However, as a part of the learning objective, the aim is to make the reader also consider the possibility of Arla taking the role as an “Ally” in which: *An organisation provides support during the crisis and shares the views and opinions of, or acts in a similar way to the organisation in crisis.* (Roper & Fill, 2012, p. 308). Here, the objective is to have the reader recall that there are multiple stakeholders involved whom presumably are expecting Arla to support their side of the conflict. Thus, the outcome of the question “what are our alternatives?” should include (but not limited to) the following points:

Arla can:

- a) Take the side of the Muslim communities (Ally)
- b) Take the side of the Danish government and Jyllandsposten (Ally)
- c) Do not take side (Victim)

In other words, the learning objective here is for the reader to think analytical and, based on the information given in the case, identify the framing and roles Arla can take on when responding to the crisis.

## Use of Rhetoric

The final learning objective of this case is connected to the question *what actions do we take and how?* The aim here is for the reader to recognize the importance of communicating with stakeholders in a crisis situation. Additionally, the reader should be able to evaluate what points to emphasize in the communication. A plus here would be if the reader is able to demonstrate how the use of rhetoric, i.e. logos, ethos and pathos could be used in Arla's response strategy. Rhetoric is *the art or skill of speaking or writing formally and effectively especially as a way to persuade or influence people.* (Merriam-Webster dictionary, 2015) Logos relates to when the communication *appeals to reason and understanding.* (Urde, 2015. p.17) An example of how Arla applied the logos perspective is when the company emphasized its innocence and its role as victim in the conflict in its response.

Taking another approach, Arla could emphasize their 40 years long presence in the Middle East and their position as a major supplier of quality dairy products, thus taking the ethos perspective. That is: *appealing through character, personality, and trustworthiness* (Urde, 2015. p.17). Lastly, the pathos perspective is when the sender of the communication is *appealing to emotions and the will* [of the receiver] (Urde, 2015. p. 17). An example of this would be when Arla chose to support humanitarian organizations and projects in order to "win back the heart and minds of consumers" (Armstrong et.al., 2009).

As demonstrated above, a company is not limited to using only one of the three perspectives. One may very well apply all perspectives of rhetoric in a communication strategy. Here, the goal is for the reader to be creative while utilizing what he or she knows about methods and channels of corporate communication.

## Case Questions

The opening (and main) question of the case is: ***What should Arla do in order to regain their position and reputation in the Middle East?*** However, as the reader will see from the teaching suggestions, the logic here is that in order for the participants to answer the opening question, they must first answer the following sub-questions:

- Who are the **key** stakeholders of Arla in this situation?
- What are the alternatives?
- What actions should be taken, and how?

By summarizing and reflecting upon the answers to these questions, the goal is that the participant will be able to answer the main question.

Lastly, once Arla's selected approach in the real case has been revealed, the teacher could challenge the students to a new discussion by asking the following question:

- What are the potential risks of Arla's selected strategy?

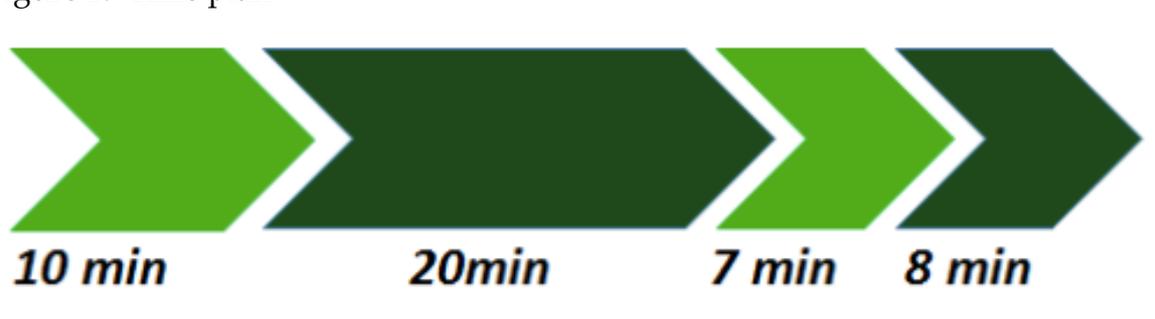
## Teaching suggestions

Since this case is a past event of which we have the possibility to study both what happened, the actions that were taken and the result of those actions, the suggested teaching plan is made up of four main parts: introduction, discussion, uncovering what actually happened, and a final discussion related to Arla's selected approach.

### Time plan

For our presentation of the case we had 45 minutes in total, thus we have created the time plan on the basis of this. However, the discussion leader is free to adapt the allocated time to each of the four parts as he/she sees fit. Nevertheless, we recommend that for the sake of the learning outcomes most emphasis be put on the second part (i.e. first discussion round). A suggestive time plan can be seen in **Figure 1**.

Figure 1. Time plan



**Phase 1 (10 minutes):** In order to engage and raise interest amongst the participating students this part concerns setting the scene (i.e. showing the video clip), as well as providing the background information needed to have an in-depth discussion around the case questions.

**Phase 2 (20 minutes):** The discussion leader clarifies the students' role in the discussion, which is to take on the role as the executive management group of Arla. Thereafter, the students are provided with case questions that will guide the following discussion of the case. At this stage the students should be well equipped to address and analyze the problem, however, if questions arise they should be given the opportunity to ask them both before and during the discussion. To aid the participants' train of thoughts, the discussion leader will ask the group to define who Arla should consider to be the main stakeholders, what the key issues are, and the alternatives and possible actions Arla has. Please note that for the sake of clarity, we recommend that the questions are asked and answered in that respective order.

Furthermore, at this stage it is the discussion leader's responsibility to make sure that the discussion is continuously moving forward. The person taking this role will also have to be constantly prepared to redirect the discussion in case too much emphasis is brought on the conflict itself rather than the case questions. This is an important note for the teacher as the case is not meant to be used for discussions

concerning freedom of expression versus religious beliefs. Before moving on to the next phase of the case the discussion leader should summarize the points that have been made and seek to unify the students in a conclusion to what specific actions should be taken by Arla.

**Phase 3 (7 minutes):** In the third part of the teaching plan the participants will be provided with information on what Arla actually did in the real case and the outcome of the chosen approach.

**Phase 4 (8 minutes):** As a fourth and final part of the teaching plan the students will be given the opportunity to further discuss the possible risks connected to Arla’s selected approach.

### Board plan

There are many ways one can structure the board for the discussion, and each discussion leader must consider what solution works best given the available equipment. However, we suggest that the discussion leader prepare the board prior to the case opening with columns as illustrated in **Figure 2**. The input from the participants should be written in the respective columns in front of the participants in order for them to have a clear overview of the discussion and to enable the participants to elaborate on or contradict each other’s arguments.

**Figure 2.** Board plan

Stakeholders	Key Issues	Alternatives	Actions

## Reflections

As a part of the course *Corporate Brand Management and Reputation* (BUSN35) we were divided into groups of three and given the assignment to write and present a real life managerial decision problem as an academic case. Our case describes how Arla was caught in the middle as an innocent actor in the Mohammed crises due to its association with its country of origin (i.e. Denmark).

We decided at an early stage of the course to have the boycott of Arla as our case topic. It is a rather unusual case since the crisis of Arla was connected to a conflict that Arla played no part in. Furthermore, even though the Arla case is now 12 years old, the overall managerial challenge is still highly relevant. For this reason, we viewed this case as both interesting and as a good possibility to increase our knowledge about how to handle a crisis situation when the company is not to blame.

Since the Arla case is not the typical “we-messed-up, now what?” type of case, we thought the case of Arla could add some extra value to the learning of traditional approaches of crisis management. However, as we continued with our work and became more familiar with the case, we quickly realized that the case of Arla was far more complex than we had anticipated. For starters, many thesis and articles have been written about this specific case, with equally many perspectives and conclusions. Thus, it was challenging to get a clear overview of what actually happened - both in terms of the conflict itself and what Arla did as a response. Furthermore, because the case presents a rather sensitive topic we had to be careful to keep our objectivity while writing the case and also keeping in mind how we would present the case to the BUSN35 class at the end. For us it was very important that the discussion should be kept on a professional level where the managerial decision of Arla was the focal point and not the conflict itself.

We prepared a visual presentation and selected an appropriate video clip to illustrate the drama that unfolded back in 2004, which helped us set the scene for the case. We also conducted a test-run of our case with another group prior to our class presentation. We had a good session discussing each other’s cases and afterwards we restructured and adjusted our presentation based on our new insights. Firstly, we became more aware of how to lead a discussion and how to keep the discussion going by asking follow-up questions. Secondly, we also made some adjustments to the background information given in the presentation as we got a better overview of what information is important to provide in order for the audience to get an understanding of the case and what is redundant. Thirdly, we also realized that we could discuss for a very long time, which in some instances could be a good thing, however, when presenting the case to the class needed to be aware of our time limit and therefore be a bit clearer when steering the discussion. While trying our case both on another group and when presenting it to the class in the end, we were able to see how they interpreted the questions and if this corresponded with our thoughts and the learning objectives of the case. Naturally, we were very happy to see that this was the case.

When presenting the case to the class it became clear to us that this specific case is rather challenging also for the students who are asked to solve it. It took the class a

few minutes and a few clarifying questions before they became active in the discussion. However, once the discussion got going we were pleased to see that many students joined in and shared their thoughts on the matter. Furthermore, it was also very interesting to see that a couple of the students had some very creative ideas to specific actions that Arla could take – actions that we ourselves had not thought about.

Writing a case has been a very valuable experience where we have had the opportunity to apply the theory we have learned during the course to a real life situation. This gives an increased understanding of how the theories could be used and whether they are applicable or not to the issue at hand. However, in our case, most of the concepts of the course could have been applied depending on how one approaches the case. This is also why it was so challenging to write the learning objectives for this case. Writing the learning objectives were perhaps the main challenge we faced when writing the case. It was a tough case to analyze and it was difficult to know which approach to take.

We have learned many things through the writing of this case. Firstly, we have learned how to actually write a case and how difficult it can be. Our reflection is that it would have been useful to have experience with writing a case prior to tackling on a case such as the Arla case. It is a very useful way of learning meanwhile it is also very interesting for students to analyze real situations and thus get a glimpse of what we might be facing in the future as (presumably) brand managers.

Changing the perspective from student to teacher has been challenging but fun. The biggest challenge was to formulate the learning objectives and selecting the most suitable theories. However, in the end we are very happy with the result of our work and we hope that this case will be useful for both students and teachers in the future as well.

Moa, Matilda and Thea.

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