

Pride and Prejudice: The case of Barilla S.p.A.

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Abstract

Purpose — Reputational crisis negatively affects brands and companies. This chapter, based on a single case study, aims to explore how prejudicial corporate statements directed toward lesbian, gay, bisexual, and transgender (LGBT) individuals have affected the Italian multinational Barilla S.p.A., as well as how the company responded both internally and to the market in order to attempt to overcome the highly damaging consequences.

Design/Methodology — This chapter uses a single case-study methodology, which constitutes “a research strategy that focuses on understanding the dynamics present within single settings to create theoretical constructs, propositions and/or midrange theory from empirical evidence” (Eisenhardt, 1989, p. 534). The case-study design was chosen as it has been demonstrated to provide a methodological tool for both theory generation and theory testing (Gibbert et al., 2008).

Findings — Conclusions from the chapter indicate that negative, incendiary, and oftentimes comments citing either religious or stereotypical-based ideology negatively impact both the consumers and its associated publics in terms of product branding or reputation image.

Research Limitations — The study’s limitations, which rely primarily on a single case study and secondary research data, may motivate further investigative avenues, particularly as similarly referenced events continue to unfold almost daily, such as the study’s referenced incident with Philippine boxer Manny Pacquiao, as well as action taken by social media giants (Apple and Facebook) against the controversial media figure Alex Jones.

Practical and Social Implications — This chapter also looks at family succession roadblocks and navigating social media gaffes. These contemporary issues highlight challenges, strategies, sales and market share dynamics for the company, and

suggestions for navigating the road ahead. The research concludes with possible linkages and insights for both ongoing management issues and potential areas for future research. Other findings indicate that rapid responses, particularly those citing concrete corporate policy changes or tangible actions, help to reverse and mitigate reputational damage, and contemporary approaches utilizing social media appear to buttress these efforts.

Originality/Value — This case study of Barilla as well as other firms mentioned, such as Chick-fil-A and Nike (which have experienced parallel situational crises), indicates that in only the last five years of contemporary international business practice, MNEs are continually and at times unexpectedly challenged by the lack of sensitivity demonstrated by their owners and spokespeople who utter comments which may be seen by the public as potentially harmful to the LGBT community. This study hopes to illuminate this challenge while offering tangible solutions to turning around future, similar situational crises.

Keywords: Reputation management; family business; gay and lesbian marketing; LGBT; diversity; social media; Barilla

Introduction

Increasingly, social networks have challenged and changed the traditional relationship between consumers and brands (Cova & Pace, 2006). There is an increase in the incidences in which the speed of communication to stakeholders via web-media and electronic word-of-mouth (WOM) has represented a real threat to corporate reputation. Recent examples, such as the Volkswagen scandal in September 2015 based on illegal software to manipulate CO₂ emissions, have caught the attention of both traditional media and social networks, causing negative effects in both the consumer and stock markets. Another example of reputational crisis unfolded as a consequence of anti-gay remarks in September 2013 made by the chairman of the pasta company Barilla. This chapter aims to provide both a conceptual and a theoretical understanding of the successes and the crisis management approach undertaken by this company.

Barilla G. e R. Fratelli S.p.A. (Barilla) is a successful family-owned¹ multinational foods manufacturing company with its headquarters in Parma, Italy. It began with humble beginnings in 1877 (Barilla, 2014a) as a small bread and pasta shop. Barilla is now a leading global sales player second only to private label brands, jumping from 9 to 12% of total market from the period 2009–2014, and is the dominant sales leader in both Italy and the United States, with sales of 900 and 800 US\$ million respectively in 2014 (Euromonitor International, 2015). However,

¹85% of Barilla is owned by (the fourth generation of) Barilla brothers: Paulo, Luca and Guido.

throughout its history, the pasta giant has faced many challenges, most recently, in 2013, a public relations disaster caused by its chairman's comments aimed at gay and lesbian consumers.

In September 2013, Barilla Group's chairman stated in an Italian radio station interview that the company "would never feature or market directly to gay couples. If they had a problem with that, said its chairman, they could eat another brand of pasta" (Heller, 2013). This event has raised not only ethical and political concerns but also marketing challenges; according to *Forbes* (Fuller, 2013), the LGBT community has roughly USD800 billion purchasing capacity, globally, per year, LGBT's household average income is 23 percent higher than that of their heterosexuals' counterparts, and it has been estimated that same-sex-partnered households make on average 16% more shopping trips than heterosexual households.

This chapter is structured with its first section offering an overview of how LGBT and other gender-related discriminatory practices have created a variety of public relations crises; it reviews reputational crisis management under different theoretical lenses. The subsequent section presents the methodological approach undertaken for conducting this single case study. This section is followed by the findings and discussions. Finally, conclusions and guidelines for future studies are offered.

Literature Review

Reputational capital (together with global leadership and stewardship development) has been considered as one of the strategic intangible assets that leverage sustainable competitive advantage in the twenty-first century (Petrick, Scherer, Brodzinski, Quinn, & Ainina, 1999). The democratization of Internet access combined with socially and environmentally concerned activists with access to social networks with (almost) universal coverage has brought massive advertisement opportunities for firms and their brands. At the same time, however, these opportunities have exponentially amplified the vulnerability for companies and have brought trials and tribulations for their managers. Responding to consumers' demands for companies to act ethically, in a politically correct manner, and to assume societal concerns and social issues in terms of corporate social responsibility (CSR), communication strategy has taken unprecedented importance. These aspects must be taken into account as far as gaining (or losing) legitimacy in domestic and international markets (Taylor, 2014). In some cases, CSR communication has been associated with corporate reputation and also could create differentiation and competitive advantage (Fombrun & Shanley, 1990; Fombrun & Van Riel, 2004). There is consistency in the literature that crises can affect brand reputation and represent unexpected managerial challenges to communicate with stakeholders (Coombs, 2007). There is an increasing number of corporate reputational crises associated with social policies, and companies have experienced increasing public pressures to express their views on such policies (such as same-sex marriage, animal rights, etc.), even if they do not have an intrinsic connection to their core business (Hirsch, 2014). This represents a

challenge for businesses operating both locally and internationally. Hirsch (2014) suggests four elements to be taken into account for tackling these public demands: (i) consumer dynamic sentiment mapping on certain issues; (ii) developing well-established points of view on issues for which they have been challenged in the past, or interest them the most; (iii) early engagement and continuous conversations with consumers; and (iv) decision clarity on what a focal firms' policy is and when or how it might change.

The specific case of Barilla's (2013) controversy and its effect on the LGBT community can also be examined from a different perspective. Pace, Balboni, and Gistri (2017) analyzed how social media multiplies negative reactions by stakeholders and exacerbates brand crises stakeholders via WOM. However, corporate reputational effects during a crisis can be mitigated if the company can anticipate the effects (Coombs, 2007). Coombs (2007) establishes factors that determine the reputational threat: (i) initial crisis responsibility (the attributed degree of firm's responsibility by the stakeholders); (ii) crisis history (if the firm has a previous history of crisis); and (iii) prior relational reputation (the perceived consideration by the firm for its stakeholders across various domains in other different circumstances).

Situational crisis communication theory (SCCT) is an "evidence-based framework for understanding how to maximize the reputational protection afforded by post-crisis communication" (Coombs, 2007, p. 163). SCCT is informed by attribution theory (Bradford & Garrett, 1995); it states that when external actors accuse firms of unethical behavior, corporate executives communicate responses classified as no response, denial, excuse, justification, and concession.

Based on attribution of crisis responsibility (Bradford & Garrett, 1995), SCCT (Coombs, 2007; Coombs & Holladay, 2002) has identified three types of crisis clusters: (i) victim cluster (the firm is viewed as a victim of an unexpected event); (ii) accidental cluster (the event is considered uncontrollable or unintentional); and (iii) intentional cluster (the event is purposeful). Under this SCCT framework, reputational crises trigger affective reactions in stakeholders who will spread negative information about the firm when it is perceived as having high responsibility in the crisis (Coombs, 2007). Therefore, both the physical and psychological needs of the stakeholders need to be the main concern when a crisis arises, in order to move from crisis to opportunity (Liu & Fraustino, 2014; Ulmer, Sellnow, & Seeger, 2013).

Even though SCCT relies on experimental methods rather than case studies, it provides a useful theoretical lens for interpreting the role of postcrisis communication, while providing guidelines for addressing stakeholders during the postcrisis stage of Barilla's chairman's anti-gay pronouncement. In the next section, the methodological approach for this study will be described.

Methodology

This qualitative and exploratory study aims to answer the following research questions: (1) how do prejudicial corporate statements directed toward the LGBT

people affect multinational companies; and (2) how does the company respond both internally and to the market in an attempt to overcome the highly damaging consequences. This study was designed to test the SCCT approach, as this framework has been found to provide conceptual and theoretical examples, providing tools to examine in detail the case of a company such as Barilla. Barilla S.p.A. has been chosen as an example of a company which has recently experienced a reputational crisis due to anti-gay statements by its chairman.

Case studies are methodological tools for both theory generation and theory testing (Gibbert, Ruigrok, & Wicki, 2008). This chapter uses a single case-study methodology, which constitutes “a research strategy that focuses on understanding the dynamics present within single settings to create theoretical constructs, propositions and/or midrange theory from empirical evidence” (Eisenhardt, 1989, p. 534).

There are several reasons why this chapter relies on secondary publicly available data. A most important justification is that public relations crises would not exist without manifestations such as articles in newspapers, blogs, tweets, and other media. In addition, particular attention has been given to the difficulty of gaining valid and reliable primary data, specifically on ethics-related studies (Cowton, 1998). Some of the reasons have been poorly designed questionnaire, low response rate, the use of poor scenarios, the use of convenience (instead of random) samples, and the sensitive nature of the questions.

Although there is abundant literature questioning issues such as rigor of internal validity, construct validity, external validity, and reliability in case studies (Gibbert et al., 2008; Yin, 1994), this particular method was chosen as it was deemed appropriate to generating relevant managerial knowledge (Leonard-Barton, 1990).

This study relies on publicly available sources (e.g., tweets, newspapers, and company reports). The data were collected, classified (based on its relevance and established credibility of the source), and organized in different theory-driven categories for their analysis.

The following section summarizes the main findings of this study.

Findings

The Studied Company: Barilla S.p.A.

The group operates principally in different countries in Western Europe and in the United States, yet has strong marketing and distribution presence in Latin America with expansion plans for the Asia/Pacific, Middle East, Africa, and Eastern European markets (Euromonitor International, 2017). While it is most known by consumers and the foodservice industry for its large variety of dried pastas, it produces and distributes sauces, bakery products, and flatbreads with 30 production plants and mills throughout different countries in western Europe, Russia, the United States, and Mexico, with sales and distribution in most corners of the globe (Barilla, 2014e, 2014f). Barilla Alimentara S.p.A. boasts 28 production sites in nine

countries including 14 in Italy. Two are in the United States with other plants and mills in Germany, Sweden, Russia, France, Italy, Greece, Turkey, and Mexico (Euromonitor International, 2017). The two in the United States, located in Ames, Iowa, and Avon, New York, produce 100% of the durum wheat pasta for all of the United States and Canada (Barilla, 2006). This marketing and distribution challenge was apparently modeled after the Japanese soy sauce company Kikkoman, which produces all of its premium soy sauce in the state of Wisconsin, with both companies successfully positioning themselves as authentic Italian and Japanese brands respectively (Byrne, 2000). Share gains in its North American pasta business (US\$800 million in 2014) and revenue increases in its Central European pasta sales in 2013 are indications that this marketing and distribution model is paying off (Euromonitor, 2015).

In recent years, Barilla has invested in environmental sustainability for its production using the mantra “Good for You, Good for the Planet” (Euromonitor International, 2017). In 2016, the company had €139.1 million net profit and 8420 employees (Euromonitor International, 2017).

Behind Barilla’s range of over 1,000 products there are around 1,200 suppliers scattered across the world, from which the company purchases over 800 different raw materials and 50 types of packaging materials (Barilla, 2014c). Over the years, Barilla has developed an integrated supply chain founded on strategic partnerships with all the players operating at different levels of the chain, for each single sector, from the raw materials to production, and from packaging to distribution. The selection of suppliers is based on very strict terms and protocols, from systems such as BRC (British Retail Consortium) and the IFS (International Food Standard) to in-house tools such as the Process of Qualifying and Assessing Suppliers (Barilla, 2014d).

Barilla has also distinguished itself for synergistic alliances within the foodservice industry. One such innovation known as the “Pasta Corner” partnership is with the German company Autobahn Tank and Rast. Under this unique branded product/foodservice retail agreement a complete food show concept was supported by a “Pasta Cooking System” whereby the German company, a leading provider of fuel, hotels, shops, and foodservices, established live “Pasta Corners” in their successful roadside retail outlets. This concept allowed a non-specialized kitchen worker to prepare fresh pasta (Barilla) dishes in several minutes, in front of the guest, with Barilla providing the pasta, sauces, preparation, and execution support (Occhiocupo, 2011).

For almost 140 years, the company has been run by a family that now, under the leadership of brothers Guido, Luca and Paolo, has reached its fourth generation. The Barilla Group now employs 8,300 people, 4,500 of whom are in Italy, and has a turnover of over €3 billion. The Pedrignano plant on the outskirts of Parma is the largest pasta plant in the world: each day it produces 150,000 km of spaghetti, enough to go around the Earth four times (Barilla, 2014b).

The timeline in Table 1 provides an historical overview of the company’s international expansion, starting with only a domestic market to a genuine global company.

Table 1: Barilla Company Timeline, 1877–Present.

1877	Barilla is founded in Parma, Italy, when Pietro Barilla decided to open a small bread and pasta shop.
1910	Riccardo and Gualtiero, who take over from their father, founder Pietro, open their first plant with 100 workers and a production of 8,000 kg of pasta per day. Barilla introduced its first logo.
1947	After World War II, Riccardo Barilla passes away; a new strategy laid out by Pietro and his brother Gianni aims to develop Barilla's brand image. Investment in technology, graphic imaging, and communication campaigns are initiated; in 1952, the company stops making bread and produces innovative pasta packaging, making it the market leader in Italy.
1950–1960	In 1965, Barilla enters the bakery product market, opening a plant in Rubbiano, Italy, making crackers, breadsticks, and toasted crispbreads. In 1969, it opens the largest pasta production complex in the world in Pedrignano, with a capacity of 1,000 tons per day. Barilla's employee headcount reached 1,500.
1971–1979	In an economic climate of uncertainty, Gianni and Pietro Barilla sell the company's majority shareholding in 1971 to the US-based multinational W.R. Grace. In 1975, the successful bakery line Mulino Bianco is created.
1979–1993	In 1979, realizing a dream, Pietro Barilla buys back the company. He turns around the company, increasing business tenfold, and Barilla becomes number one in the European pasta market. In 1987, Mulino Bianco accounted for 50% of Barilla's total sales. In 1993, after Pietro passes away, the company is taken over by his sons Guido, Luca, and Paolo.
2002–2009	In 2004, Academia Barilla, a project aimed at promoting and protecting Italian cuisine around the world is born, and in 2009, it creates a multidisciplinary think tank called Barilla Center for Food and Nutrition aimed at stimulating debate and proposing solutions. Business expansion, synergy and success continue.
2013–2015	Over 2013–2014, Barilla has been launching specific lines of pasta in line with consumer preferences produced by local manufacturers with which Barilla has a joint venture. In Brazil, business has almost doubled in a year, and Chinese sales recorded double-digit growth. In 2015, Barilla's executive leaders initiate strategic expansion plans to double its revenues for the period 2016–2019.

Source: Barilla S.p.A. Company Website (2015), *Euromonitor International* (2015, 2017).

The LGBT Scandal: The Genuine Spaghetti Bowl

On that noted morning on 25th September 2013, Guido Barilla, chairman of the Barilla Group, told Radio 24, an Italian radio host, on an interview in the program La Zanzara, that

I would never do a commercial with a homosexual couple, not for lack of respect, but because we don't agree with them. Ours is a classic family where the woman plays a fundamental role. (Reuters, 2013)

Guido Barilla continued (Somaschekhar, 2014), "If gays don't like it they can go eat another brand." The company's leadership may have wished that Guido Barilla had tempered his comments. Walking back, however, it may prove useful to begin to look at the Barilla foundation first in terms of these established theories, and then to move on to some of these more difficult issues.

Given this as just one example of the challenges that multinational enterprises such as Barilla face, and often unexpectedly, Doh and Lucea have proposed the inclusion of a "nonmarket environment." That is to say, the set of forces that are manifested outside of markets, but often work in conjunction with them, consists of the social, political, and legal arrangements that structure interactions, among companies and their publics such as local city councils, farmers associations, local environmental, and human rights groups (Doh & Lucea, 2013). This nonmarket environment strategy may have and should continue to prove useful to Barilla. They further note that, in the last two decades, MNEs have witnessed a fundamental transformation of the global environment. This transformation is characterized by (1) a rebalancing of the power among business, government, and NGOs; (2) an increasing codependence among these actors for performance and survival; and (3) the increasing transnationalization of all three types of actors for performance and survival. In most parts of the world, NGOs which focus on LGBT issues have taken on a key role in the exploration of this nonmarket environment. Husted notes that these nonmarket strategies operate in a global business environment that is made up of not only markets but institutions, geographies, cultures (i.e., gay and lesbian), and differing levels of social and economic development (Husted, 2013). Husted goes on to conclude that nonmarket research in global strategy needs to be about more than simply helping MNEs navigate the public policy process and responding to NGOs with as little damage as possible in their core business mission; it needs to be about the MNEs' contribution to solving the real social and environmental problems which ultimately threaten us all (Husted, 2013). MNE's such as Barilla and NGO's focused on LGBT workplace issues (such as the Human Rights Campaign) may be well served to work together on crisis communication tactics prior to an impending crisis as opposed to reacting when it becomes too late.

Contemporary Challenges

Returning to that morning in the Italian radio studio, Guido Barilla possibly wondering how the conversation evolved from pasta market expansion to gay marriage, the company chief further compounded the damage by summarizing his views on gay adoption. He stated: “I have no respect for adoption by gay families because this concerns a person who is not able to choose.” Following these comments, the world’s largest pasta maker faced a furious backlash – the comments were met with calls for a boycott of the company’s products with the hashtags #boycottbarilla and #boicotabarilla on Twitter and Facebook. Less than a day after this interview, the company whose slogan is “Where there’s Barilla there’s home,” the company was conducting serious damage control (Nelson, 2013). Soon after Guido Barilla’s comments were transmitted, a lengthy apology on the company’s Facebook page read:

Regarding my comments on the radio program La Zanzara, I apologize if my words generated misunderstandings or controversy or if they hurt some people’s feelings. In the interview I just wanted to underline the centrality of the woman’s role in the family. To be clear, I just want to specify that I do have great respect for every person, without any kind of distinction. I do respect gay people and everybody’s freedom of expression. I also said I do respect gay marriage. Barilla in its advertising has always chosen to represent the family because this is the symbol of hospitality and affection for everyone.

Barilla’s choice to respond immediately to the flap utilizing social media such as Facebook and Twitter was, perhaps, a savvy move and a sign of the times in terms of new approaches toward corporate brand communication. Vernuccio (2014) points out that this new environment facilitates interactive brand communication and collaboration, the sharing of content by users, and the formation of internal and external virtual communities. While some of the back and forth dialog with Guido Barilla may have been acerbic, it was nonetheless communication, happening in real time, and with real emotions and forceful opinions being played out on both sides. In this case, social media may be considered part of a new social and economic landscape, with constantly shifting boundaries and within which users are able to exercise their own control of every stage of the brand communication process (Vernuccio, 2014).

Alessandro Zan, a gay rights campaigner, told an Italian newspaper, “this is another example of Italian homophobia and I’m joining the boycott of Barilla.” In Britain, a spokesman for a leading gay rights organization, Stonewall, stated: “With so many pasta brands out there, gay customers can easily show their disgust the next time they go grocery shopping” (Nelson, 2013). In a matter of just several days, Barilla had entered the arena of reputation management and had seemingly little time to delay. It was apparent that the Barilla brand had suffered, and branding is key to the Barilla marketing and value strategy. Consumer research views brand name as one of several possible signals of product quality (Abdullah, Abdurahman, & Hamali, 2013), and there is a positive relationship between brand and firm performance of foodservice products. Brands do differentiate the offerings,

and something needed to be done. Barilla's dilemma could also be described as a reputation management crisis. An organization's reputation is its most relevant asset. Yet reputation can go unnoticed and untended until something arises and threatens it, as was the case with Barilla. According to Cwiak, a lesson crucial to the issue at hand, an organization's reputation can be built, enhanced, or damaged based upon perceptions of how well its management deals with a crisis. Effective crisis management is a crucial component of reputation management (Cwiak, 2014).

The next year provided for a surprising turnaround, and a footnote to an unexpected yet business-savvy strategy for a company with an international reputation and a more than 140-year-old brand history. Fast forward to November 19, 2014; the *Washington Post* printed an article titled "Human Rights Campaign says Barilla has turned around its policies on LGBT." The report stated that just one year after its public relations fallout with the LGBT market, Barilla had made a dramatic turnaround, expanding health benefits for transgender workers and their families, contributing money to gay rights causes, and featuring a lesbian couple on a promotional website. And finally, it received a perfect score from the Human Rights Campaign, a gay and lesbian advocacy group that manages an extensive ranking system for companies in terms of their treatment on LGBT issues (Somaschekhar, 2014). According to Somaschekhar (2014), Barilla had "journeyed from gay rights pariah to poster child." For his part, Guido Barilla appeared to turnaround as well, stating,

I am proud to say that as a result of these discussions, we have all learned a great deal about the true definition and meaning of family, and over the past year we have worked hard to reflect that throughout our organization.

He called the recent diversity initiative "the most all-encompassing effort to bounce back from an unfortunate misstatement that I've ever been part of."

While it is not certain, it is possible that Barilla, based on its rapid action and turnaround on the LGBT front, had learned lessons from other recent corporate cases, as well as the contemporary research literature. Its most recent and closely linked history lesson may have come from the social media crisis played out earlier with the successful US-based restaurant Chick-fil-A, a process that did not turn out so well.

Dan Cathy never realized his comments to a Christian radio station would explode on to the Internet and social media, sparking a firestorm of controversy and mobilizing gay rights advocacy groups. Dan Cathy, president and CEO of Chick-fil-A, had participated in many interviews over his lifetime. At first glance, this interview appeared to be no different than many others, perhaps a similar situation in which Guido Barilla found himself. On July 16, 2012, Cathy was being interviewed by a Christian radio station and was asked his opinion about marriage. Cathy upheld his traditional Christian values and stated,

We are very much supportive of the family – the biblical definition of the family unit. We are a family-owned business, a family-led business, and we are married to our first wives. We give God thanks for that.

Little did Cathy know that his comments would set off a firestorm of controversy, and within a matter of days the company was facing a social media crisis. More than a month later, the controversy was still going (Peters, Benjumea, Garner, & Turner, 2013). In what could be observed as an eerily similar play out of events, this time the Italian radio station placed Guido Barilla in the interview seat. It would be logical to assume that Barilla's fast-acting and savvy corporate management team took a cue from the Chick-fil-A fiasco, and at the very least crafted a rapid response approach.

In the literature on marketing strategies to the gay and lesbian market, salient linkages to the Barilla story emerge. Barilla's almost perfect score with the Human Right Campaign Equality Index likely reflects the opening comments of Oakenfull in her research of Factors Influencing Gay Consumers' Evaluations of "Gay Friendly" Corporate Activities, namely that over the past decade many corporations have shown an increased willingness to move ahead of the public policy in affording equal rights to LGBT employees. In addition, the corporate United States spends billions of dollars each year targeting members of the LGBT population in the marketplace (Oakenfull, 2013). Oakenfull cites three key areas for these positive perception evaluations in the LGBT workplace, namely Importance of Domestic Partner Benefits, Importance of Activities Providing Social Visibility, and Importance of Gay Oriented Advertising in both the mainstream and gay media.

Another more contemporary and closely paralleling case of corporate branding and its potential impact on insensitive comments made by figures as they relate to gay and lesbian issues comes from the example of Nike and famed Philippine boxer Manny Pacquiao in February of 2016. Pacquiao, during an interview with TV5, a Philippine network, stated,

It's common sense. Do you see animals mating with the same sex? Animals are better because they can distinguish male from female. If men mate with men and women with women, they are worse than animals.

One day after his comments, Nike terminated its sponsorship relationship with Pacquiao stating in an official statement,

We find Manny Pacquiao's comments abhorrent. Nike strongly opposes discrimination of any kind and has a long history of standing up for the rights of the LGBT people. We no longer have a relationship with Manny Pacquiao. (Stack, 2016)

The year 2018 saw social media giants such as Apple, Facebook, and others limiting perceived hate speech aimed at individuals and people represented on their platforms by deleting content from conservative conspiracy theorist Alex Jones and his Infowars over allegations of hate speech. Facebook, for example, said that it was removing four of Jones's pages for "glorifying violence, which violates our graphic violence policy, and using dehumanizing language to describe people who are transgender, Muslims, and immigrants, which violates our hate speech policies" (Timberg, Dwoskin, & Shaban, 2018).

These 2016 and 2018 examples further illustrate this impact linkage between branding image and potential marketing fallout as the result of both company leaders and their spokespeople.

An early pioneer of LGBT advertising, which as a result may have possibly earned it brand and product loyalty, is that of tobacco advertising. In their research “The Outing of Philip Morris: Advertising Tobacco to Gay Men,” Smith and Malone note that the tobacco industry has a long trajectory of advertising in gay media, sponsoring gay events, and contributing to gay and AIDS organizations (Smith & Malone, 2003). They may share this history with the alcoholic beverage industry. It may be suggested that this industry’s early foray into the LGBT marketplace may have placed it well poised to avert the kinds of social media gaffes described here regarding Barilla and Chick-fil-A. Additional and more esoteric research on the subject related to brand and brand loyalty, a concept possibly that Barilla now wishes to cultivate based on its very public messages on social media, comes from Kates (2000). Kates asserts that analysis of the data suggests that

goods and services play important roles in facilitating the creation and maintenance of modern urban gay subculture, consistent with the notion that sets of consumer behaviors appear to be subculture defining once they become strongly associated with groups such as punks, surfers, bikers, skinheads, hippies or gay men. (Kates, 2000)

Finally, Gudelunas indicated that LGBT consumers do in fact recall company and brand names which endeavor to cultivate their patronage citing companies such as Verizon, Southwest Airlines, Christiana Vodka, American Airlines, and Subaru (Gudelunas, 2011). This positive recall may prove affirming to Barilla as it continues its work on the LGBT marketplace.

Family Succession and Its Challenges

A likely introduction into family succession often presents the younger, sometimes formally educated son entering the family business and wishing to implement innovative ideas. Such was the case outlined by Harvard Business School in their study of Barilla’s difficult introduction and implementation of what they coined as JITD or Just in Time Distribution. The concept, based on the successful model of Japanese automakers, was spearheaded by a young Giorgio Maggali working with the newer generation Barilla brothers. Implementing this system was met with both internal corporate resistance and reluctance from the company’s distributors. The concept was simple enough: to utilize sales data from distributors to streamline inventory and delivery processes, thus increasing efficiency and reducing inventory backlogs (Hammond, 2008). While seeming potentially comical in today’s manufacturing climate, the statements from stakeholders both internal and external to the organization characterized the level of reluctance to embrace change, a common feature inherent to the challenges associated with succession management. Among the comments included in the case study were “Our sales levels will plummet if we put this program in place” and “Managing stock is my job, I don’t need

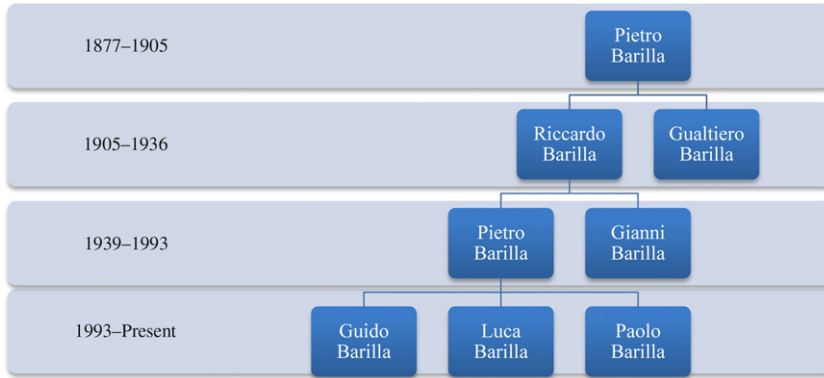


Figure 1: Succession Management in Barilla S.p.A.

you to see my sales figures” (Hammond, 2008). Innovation did ultimately prevail within the Barilla organization. Some could theorize that internal struggles such as these may have helped position the company for its rapid response time to the quickly brewing gay comments controversy.

In the family timeline below, the succession beginning in 1877 with Pietro Barilla continues today with Guido Barilla and his two brothers. The company timeline details the role each of the Barilla patrons played in the ongoing evolution of the organization. Grooming leadership roles for future family members is likely already taking place.

Barilla, for almost 140 years, is the business experience of a family that today, with brothers Guido, Luca and Paolo, is in its fourth generation.

Concluding this case study with highlights from contemporary business research of family succession issues as they relate to firms similar to Barilla seems appropriate as the firm continues its dynamic leadership beginning in 1877 to its current international leadership role today and likely theorized well into the future.

Guido Barilla, chairman of Italy’s Barilla Group, together with his brothers Paolo and Luca (both vice chairmen of Barilla Group), grew up playing on the floor of their family’s pasta factory in Northern Italy, home of Parmesan cheese and Parma ham. They watched their father, Pietro, almost lose the 125-year-old company, then succeeded in turning the small, regional business into the most successful pasta maker in Italy, with 41% of the market in 2002 (Orr, 2002) to growing its annual sales to US\$900 million in 2014 (Euromonitor International, 2015). It is unlikely that, as children, they gave much thought to the concept of succession planning, nor the myths and misconceptions that exist about family-owned firms, being that they are less efficient than other types of firms, are assumed to be burdened by tradition, or have difficulty in attracting the individual competence that is essential in a knowledge-based society. But those myths, according to Lindgren, are just that and collapse when subjected to empirical scrutiny (Lingren, 2002). In fact, in Europe, home to Barilla, family firms dominate the small- and medium-sized firm sectors. A major study based on Swedish data concluded that the family firms

had a considerably longer life than did nonfamily firms: over 37, versus barely 22 years, respectively (Lingren, 2002).

Carrying on that family tradition, Guido Barilla, who was quoted as having grand ambitions after Boston College in the United States, admitted that he “wanted to get away from my overdemanding father” and spent a year in the United States selling pasta to specialty stores and Italian restaurants in the 1980s. “I understood that the real future of our company was with the U.S.” The seed of his ambition germinated a decade later when after a few rough years following their father’s death in 1993, Guido and his brothers focused on making Barilla the most successful food company in Italy (Orr, 2002). This meant conquering the US market. Guido began exporting Barilla spaghetti and fettuccine to the United States in 1996, and within three years the brand had overtaken Mueller’s (the previous, leading US pasta brand) to become the number one pasta seller in the United States. Barilla had a 15% share of the \$1 billion-a-year US retail pasta market, twice that of its closest branded competitor in 2002 (Orr, 2002), and grew that manyfold by 2014 (Euromonitor International, 2015).

And so, as Guido and his two brothers continue to guide their pasta giant of a company into the next decade, one can only wonder what will come of the company when the next generation of Barillas takes over, even though that future may still be far away. According to White, Krinke, and Geller, prominent financial planners, family succession planning for a family business requires more than basic estate planning tools. It requires an ability to consider the special rules that impact family business succession plans and identify the unique opportunities for structuring ownership to take maximum advantage of the available transfer techniques best suited for the client’s needs (White, Krinke, & Geller, 2004). Some of those needs are highly technical and exceed the scope of this chapter, but demonstrate the dizzying array of planning needed surrounding such things as employment agreements, non-qualified deferred-compensation plans, change of control agreements, and gifting techniques (Giarmarco, 2012).

Perhaps the largest family dynasty achievement which the brothers achieved successfully, even at great risk, was its US\$135 million investment in a new pasta factory in Ames, Iowa, the center of the US agricultural heartland and the main source of the United States’ wheat. This move allowed Barilla to bring its Italian pasta to the US consumer’s backdoor, while avoiding US government-imposed imported pasta tariffs (Orr, 2002). The family business had made a correct gamble and, at least for the time being, appears well poised to continue in its prominent position.

Sales and Market Share Dynamics

Barilla has ambitious growth plans, with aims to double its revenues by 2020 from those of 2015. The company aims to achieve this goal through a focus on its core pasta, sauces, and ready meals business specifically in emerging markets, and above all Brazil and China, which Barilla has singled out as top priority markets in its

international expansion efforts. In addition to its core business, bread substitutes represent another opportunity for the leading pasta player ([Euromonitor International, 2015](#)). The company has articulated key consolidation plans as well as forward-looking expansion into such markets as Brazil, China, and Russia, and new product innovations such as gluten-free and low-carb alternatives. Other key sales and market expansion goals include the following:

(1) *Double revenues by 2020*

Barilla's goal is to double revenues by 2020 (from 2015 figures). The company aims to achieve this goal through a focus on its core pasta, sauces, as well as ready meal categories, with a particular focus on international markets. The company is determined to "aggressively grow in emerging markets, taking Italy's most symbolic dish from Asia to the Americas." A key part of its expansion strategy is to adjust its product offer to meet local tastes.

(2) *Consolidate the pasta business*

Following the divestment of its German bakery business Lieken in 2013, Barilla aims to concentrate on consolidating market leadership in the European and North American pasta markets and embrace new opportunities in emerging markets by focusing on its pasta and meal solutions business.

(3) *Brazil and Asia key focus markets*

Brazil, China, and Russia will play a major role in the company's efforts to double its revenues, as Barilla has singled out these markets as "strategic for the company's future." Over 2013–2014, Barilla has been launching specific lines of pasta in line with consumer preferences produced by local manufacturers with which Barilla has a joint venture. In Brazil, the company's business has almost doubled in a year, and Chinese sales recorded double-digit growth.

(4) *Promoting gluten-free products*

The growing anti-carb and gluten-free trend in Europe and North America is leading Barilla to focus its new product launches in its core market on health and wellness variants. To this end, the company launched its gluten-free line in the United States in August 2013 and is planning to expand its production plant in Ames, Iowa, with an investment of US\$26.8 million to add a gluten-free production line by 2015 ([Euromonitor International, 2015](#)).

Discussion

As it happens with other multinational firms, some of Barilla's successes and failures find no perfect interpretation in established academic theories while navigating such contemporary issues as reputation management, crisis management, situational communication theory, corporate branding, family succession challenges, and LGBT issues, featured prominently in this chapter.

Situational crisis communication theory (SCCT) offers a useful framework for understanding some of the dynamics at play in the Barilla case study. It appears through the positive turnaround acknowledged by the Human Rights Campaign that postcrisis communications can be used to repair a firm's reputation or prevent reputational damage. In turn, understanding how Barilla's stakeholders, namely its customers, members of the media, informal social media groups, and human rights groups, responded to the crisis discussed here helped to formulate and respond to the postcrisis responses and communication.

In the short term, prior to Barilla's post-crisis responses, it was clear that its brand and reputation were damaged. According to Coombs, stakeholders had received information through interactions with the organization, mediated reports about the organization, (including the news media), and secondhand information from other people (e.g., word-of-mouth, tweets, and weblogs), with most of the information being derived through the news media (Coombs, 2007). It could be argued that the firm employed various tenets of SCCT, providing for an evidence-based, well-documented, postcrisis turnaround framework for understanding how to maximize the reputational protection afforded by timely communications (Coombs, 2007).

If anything, it is clear from this case study that the reactions of diverse stakeholders to the polemic comments made by its chairman matter. When members of the LGBT community were asked about their reactions to being courted by brands and companies while as individuals still routinely denied the same benefits accorded to their heterosexual counterparts, respondents expressed very favorably to being spoken to (Gudelunas, 2011). Clearly, engagement matters.

While this research study is limited in its scope, given its reliance on secondary sources, case study, and qualitative methodologies, it is hoped that it may further inspire and reinforce current propositions and research questions in the current management research field and to the research avenues of internationalization of services firms, diversity management, consumer behaviors related to LGBT marketing, crisis communication, and situational crisis communication.

Conclusion

The firm has surely met the test of time with many obstacles along the way, including significant family succession issues, brand and reputation management crises, as well as internal and external cultural pushback in the face of facilitating social change. It has weathered and survived World Wars, unexpected leadership deaths, near economic collapse, and rose above it all, a stronger player. Always managing to stay on top, push forward, and come to dominate the international pasta and bakery markets, a leadership niche that it has successfully assumed, Barilla may have unknown challenges yet to face. Perhaps the work of the firm is best summed up by Johanson and Vahlne, reflecting on their description of objective versus experiential knowledge, stating, "experience itself can never be transmitted. It produces

a change, frequently a subtle change in individuals, and it cannot be separated from them” (Johanson & Vahlne, 2009). Perhaps at least intuitively, Pietro Barilla knew and felt something of that “experience” when he forged out on his own and opened his first pasta and bread shop in Parma, Italy, in 1877, and perhaps still today his Barilla descendants have a hunger for that experience.

Strong, positive brand partnership that LGBT consumers have cultivated with certain brands has been documented by Kates in his work *Out of the Closet and Out on the Street* and may appear to be relevant for the case of Barilla as Kates defines aspects of this partnership to include a voluntary union between local retail businesses and the LGBT people, characterized by high levels of positive effect, trust loyalty, and commitment (Kates, 2000). Perhaps the follow-up comments and actions of Barilla indicated a positive linkage to what Kates describes as part of this union.

The chapter also intends to breathe contemporary life into these established frameworks by examining and expanding onto current management challenges and some of the relevant theory aligned with it. Further examples of these contemporary challenges include Barilla’s forays into the LGBT marketplace, its use of social media outlets, reputation and branding management, crisis communication, SCCT, and family succession dynamics.

Many corporations have gone beyond creating policies that prohibit employment discrimination based on sexual orientation to provide equal benefits for same-sex domestic partnerships, and many corporations have recognized the attractiveness of the LGBT population as a consumer market (Oakenfull, 2013). It may be concluded that Barilla’s transformation, as evidenced in this case study from damningly controversial to generally lauded by a variety of stakeholders, may be worthy of further attention given and research afforded to the diverse needs of the LGBT market.

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