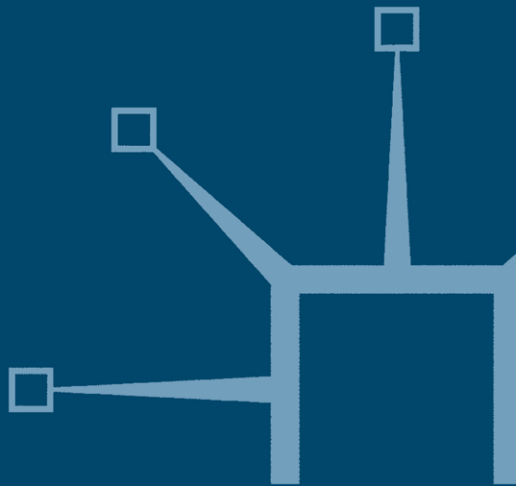


palgrave
macmillan

Stakeholder Theory

A European Perspective

Edited by
Maria Bonnafous-Boucher and
Yvon Pesqueux



Stakeholder Theory

Stakeholder Theory

A European Perspective

Edited by

Maria Bonnafous-Boucher

and

Yvon Pesqueux

palgrave
macmillan



Selection and editorial matter © Maria Bonnafous-Boucher
and Yvon Pesqueux 2005
Individual chapters © contributors 2005
Softcover reprint of the hardcover 1st edition 2005 978-1-4039-9159-1
All rights reserved. No reproduction, copy or transmission of this
publication may be made without written permission.

No paragraph of this publication may be reproduced, copied or transmitted
save with written permission or in accordance with the provisions of the
Copyright, Designs and Patents Act 1988, or under the terms of any licence
permitting limited copying issued by the Copyright Licensing Agency,
90 Tottenham Court Road, London W1T 4LP.

Any person who does any unauthorized act in relation to this publication
may be liable to criminal prosecution and civil claims for damages.

The authors have asserted their rights to be identified
as the authors of this work in accordance with the Copyright,
Designs and Patents Act 1988.

First published 2005 by
PALGRAVE MACMILLAN
Houndmills, Basingstoke, Hampshire RG21 6XS and
175 Fifth Avenue, New York, N.Y. 10010
Companies and representatives throughout the world

PALGRAVE MACMILLAN is the global academic imprint of the Palgrave
Macmillan division of St. Martin's Press, LLC and of Palgrave Macmillan Ltd.
Macmillan® is a registered trademark in the United States, United Kingdom
and other countries. Palgrave is a registered trademark in the European
Union and other countries.

ISBN 978-1-349-54296-3 ISBN 978-0-230-52422-4 (eBook)
DOI 10.1057/9780230524224

This book is printed on paper suitable for recycling and made from fully
managed and sustained forest sources.

A catalogue record for this book is available from the British Library.

Library of Congress Cataloging-in-Publication Data
Stakeholder theory : a European perspective / edited by Maria
Bonnafous-Boucher and Yvon Pesqueux.

p. cm.

Includes bibliographical references and index.

1. Social responsibility of business—Europe. 2. Business ethics—
Europe. 3. Corporations—Moral and ethical aspects—Europe.
4. Corporate governance—Europe. I. Bonnafous-Boucher, Maria.
II. Pesqueux, Yvon.

HD60.5.E85S73 2005
174'.4—dc22

2005047290

10 9 8 7 6 5 4 3 2 1
14 13 12 11 10 09 08 07 06 05

Contents

<i>List of Tables and Figures</i>	vii
<i>Preface</i>	viii
<i>List of Abbreviations</i>	ix
<i>Notes on the Contributors</i>	x
1 From Government to Governance <i>Maria Bonnafous-Boucher</i>	1
2 An 'Anglo-American' Model of CSR? <i>Yvon Pesqueux</i>	24
3 A Liberal Critique of the Corporation as Stakeholders <i>Hervé Mesure</i>	39
4 Stakeholder Theory and Normative Approaches <i>Pierre Kletz</i>	58
5 Institutional Roots of Stakeholder Interactions <i>Sibel Yamak</i>	73
6 Faceless Figures: Is a Socially Responsible Decision Possible? <i>Jean-Luc Moriceau</i>	89
7 A Stakeholder Perspective of Human Resource Management <i>Michel Ferrary</i>	104
8 From Power to Knowledge Relationships: Stakeholder Interactions as Learning Partnerships <i>Elena P. Antonacopoulou and Jérôme Meric</i>	125
9 Corporate Social Responsibility and Stakeholders: Measuring or Discussing? <i>Dominique Bessire</i>	148

vi *Contents*

10	Social Rating: Performance Measurement or Social Mediation? <i>Françoise Quairel</i>	173
	<i>Index</i>	185

List of Tables and Figures

Tables

2.1	American and European perspectives on CSR	33
7.1	The four dimensions of an exhaustive taxonomy of stakeholders	117
8.1	Typical demands towards stakeholders	133
8.2	Summary of collaborative learning trajectories	139
10.1	Comparison between credit and social rating	176

Figures

4.1	Some stakeholders	67
6.1	Stakeholders	95
7.1	A politico-economic system centred on the director, and a director enmeshed within a politico-economic system	119
9.1	The three dimensions of reality	156
9.2	Evaluation criteria	157
9.3	Evaluation tools	159

Preface

New standards of corporations' behaviours have been established in developed countries obliging them to record information about the 'triple bottom line' in their annual reports. Companies, driven by their leaders, are now making sure they collect the data necessary to build specific indicators in relation to this triple bottom line for 'real' actions taken regarding corporate social responsibility (CSR) issues. The fact that rating agencies (Innovest, Aspi, Novethic, Vigeo and so on) and indices (FTSE for example) have been created or transformed to follow this aspect has reinforced this, inducing strategic orientations by corporations, especially multinational companies. Research about social, environmental and overall ethical behaviour in and of companies has been developed.

Simultaneously, however, the concept of the stakeholder has gained a kind of 'metaphoric evidence'. In other words, the notion of stakeholders is accepted as such, and is widely used in discussions in and around corporations, despite the fact that its theoretical background is very often ignored. It is difficult to comprehend these managerial innovations without a minimum understanding and outline of the notion of stakeholders.

American references are numerous and dominant in this field – Caroll, Clarkson, Donaldson, Freeman, Jones, Wartik, Wicks, Wood, and others – and these references in turn have been received and discussed by European academics. In Denmark we can quote Rendtorff; in France, Bessire, Bonnafous-Boucher, Capron, Charreaux, Lépineux, Mercier, Pesqueux, Quairel and others; in Hungary, Zsolnai; in Ireland, O'Higgins; in Italy, Zambon; in the UK, Antonocopoulou, Collier, the Kakabadses, Laurie and others. These lists are far from exhaustive and they show the richness of this area.

The aim of this book is to comment on the American theoretical foundations of the notion of corporate social responsibility, and, more specifically, the concept of the stakeholder as well as an attempt to define a European perspective.

MARIA BONNAFOUS-BOUCHER
YVON PESQUEUX

List of Abbreviations

CEO	Chief Executive Officer
CEP	Council of Economic Priorities
CFDT	Confédération Française de Travail
CGT	Confédération Générale du Travail
CIES	Comité Intersyndical pour l'Épargne Salariale
CSP	corporate social performance
CSR	corporate social responsibility
DSO	développement des systèmes d'organisation
EC	European Commission
FTSE	Financial Times Stock Exchange
GRI	global reporting initiative
HRM	human resource management
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IOSCO	International Organization of Securities Commission
ISO	International Standard Organization
MEDEF	Mouvement des Entreprises de France
NGO	non-governmental organization
NRE	Nouvelle Régulation Economique
ORSE	Observatoire de la Responsabilité Sociale de l'Entreprise
PDCA	Plan, Do, Check, Act
PIRC	pension investment research consultant
PLC	public limited company
RPR	Rassemblement Pour la République
SEC	Securities and Exchange Commission
SHT	stakeholder theory
SNCF	Société Nationale des Chemins de Fer Français
SRI	socially responsible investment
SUD	Solidaires, Unitaires, Démocratiques
UMP	Union pour un Mouvement Populaire
UN	United Nations
US	United States
WWF	World Wildlife Fund

Notes on the Contributors

Elena P. Antonacopoulou is Professor of Organizational Behaviour at the University of Liverpool Management School and Director of GNOSIS, a Centre of Excellence in Management Research and currently, a Senior Fellow of the Advanced Institute of Management Research. Her principal research interests include change and learning processes in organizations. Within that she has concentrated on individuals' receptivity to change and the role of learning and knowing practices, in conjunction with human resource development interventions in organizations. She is currently undertaking a series of research projects in organizational learning, social practice and dynamic capabilities and is focusing on the development of new methodologies for studying social complexity in organizations. She writes on all the above areas and her work is published in international journals such as *Organization Studies*, *Journal of Management Studies* and *Academy of Management Review*. She is subject editor for *Organizational Learning and Knowledge* and *Organizational Journal* and has just completed a five-year term as joint editor-in-chief of the international journal *Management Learning*. She serves on the editorial board of *Organization Science*, *Academy of Management Learning and Education Journal* and *Society and Business Review*. She has served in numerous positions at Board and Executive levels at the Academy of Management (US) and is currently serving for a second term on the Board of the European Group in Organization Studies (EGOS).

Dominique Bessire is Professeur des Universités at Université d'Orléans (France). She started her career as an auditor at KPMG and then spent six years as a controller for Darty, the leading retail French firm in household equipment. She entered her academic career early in the 1980s (PhD in Management Science at Université Paris I Panthéon-Sorbonne in 1993). Her teaching and research fields cover management control, organization theory, epistemology, corporate governance, corporate social responsibility and ethics. She has published articles in leading French and Anglo-Saxon academic journals (*Comptabilité Contrôle Audit*, *Finance Contrôle Stratégie*, *Sciences de Gestion*, *Revue Française de Gestion*, *Critical Perspectives on Accounting* and *International Journal of Social Economics*) and has presented papers at numerous international conferences. She is

the chair of the Laboratoire Orléanais de Gestion, which groups all the scholars in management science of Orléans' University (LOG, Université d'Orléan).

Maria Bonnafous-Boucher is Associate Professor at CNAM (Conservatoire National des Arts et Métiers), Chair 'Développement des Systèmes d'Organization', with a PhD in management and organization sciences, CNAM (2003). Her special interests are management science, theories of organizations and institutions, political philosophy, corporate governance and social responsibility. She has published *Un libéralisme sans liberté* (Paris: L'Harmattan, 2001) translated into Spanish, and recently, *Anthropologie et gestion* (Paris: Economica, 2005).

Michel Ferrary is Professor of Management and Human Resources at Ceram Sophia Antipolis Graduate School of Business (France). Previously, he was Visiting Professor for two years at the department of sociology at Stanford University in California where he analysed social networks in Silicon Valley and the new practices of corporate venturing used by large high-tech companies. In 1997 he received a PhD in business administration from HEC Business School. He gained a DEA in economics from EHESS/X, a DEA in sociology from the University Paris VII and a DESS in human resource management from IEP Paris. He has published several articles in American journals (*California Management Review*, *International Journal of Technology Management*, *Journal of Socio-Economics*) and French journals (*Revue Française de Sociologie*, *Revue Française de Gestion*, *Revue d'Economie Industrielle*) on the functioning of the labour market, on open-source communities and the use of social networks in banking activities, corporate venturing and social networks in Silicon Valley.

Pierre Kletz is Associate Professor at the University François Rabelais in Tours (France). With a PhD in management science, he has occupied the position of Academic Director of the Eastern and Central Europe Centre of HEC School of Management-Paris. His principal interests are in ethics and in the relationship between social sciences and philosophy. His previous scholarly work relates to transitions in emerging countries. In the last ten years he has published many research articles in international journals, and has taught in numerous academic institutions such as the Hebrew University, Jerusalem, the Warsaw University of Technology and the Academy for Foreign Exchanges, Moscow. He was a visiting research fellow of the Mandel Foundation (Jerusalem, Israel) through the academic year 2000/2001.

Jérôme Meric is Maître de Conférences at IAE (Institut d'Administration des Entreprises) at the University François Rabelais in Tours (France). He is co-chair of the Master in Sciences du Management et Administration des Entreprises programme. He has a PhD in management science, HEC (1998), and teaches management accounting, management control, financial management and organization theory. He has published several articles in French and in English in *Revue Française de Gestion*, *Comptabilité Contrôle Audit* and *Corporate Governance*. He has also contributed to several books on management control (*Contrôle de Gestion, Organisation et Mise en œuvre*, Paris: Dunod, 2003; *Encyclopédie de Comptabilité, Contrôle de Gestion et Audit, Colasse B.* (ed.), Paris: Economica, 2000). He is a member of the Executive Committee of the MED Division (Management Education and Development) of the Academy of Management, and is also Affiliate Professor at ESCEM School of Management, Tours.

Hervé Mesure is Associate Professor at Rouen School of Management. Within this institution he is a member of the Management and Strategy Department and of the CESAMES research group. He also collaborates with the Chair 'Développement des Systèmes d'Organisation' (CNAM). His fields of interest are organization theory and the realm of business and society. More precisely, he is trying to show the interest of political philosophy in the analysis of the institutions of contemporary capitalism (companies, industries and so on). He has worked on managerial methods (specially TQM) as restructuring vectors of large corporations, and has published papers on the adaptation of SMEs to the internationalization of their industries. His latest publications are *L'éthique d'entreprise à la croisée des chemins* (co-direction with Jacques Lauriol, Paris: L'Harmattan, 2003), and with Maria Bonnafous-Boucher he is preparing a book on stakeholder theory to be published by Editions La Découverte in 2006

Jean-Luc Moriceau is Lecturer at the GET/INT (Groupement des Ecoles des Télécommunications/Institut National des Télécommunications) with a PhD in management science, University of Paris IX-Dauphine (1997). His main interest is in epistemology of qualitative studies. His other areas of interest are critical management studies, control in organizations, organization of creative institutions, and narratives.

Yvon Pesqueux is Professor at CNAM (Conservatoire National des Arts et Métiers), head of the Chair 'Développement des Systèmes d'Organisation' with a PhD in economics, University of Paris 1 Panthéon-Sorbonne (1975). His special interests are management, philosophy and ethics,

business and society and corporate social responsibility. He has published several scientific articles, and his last books link organization and politics (*L'entreprise multiculturelle*, Paris: L'Harmattan, 2004; *La dérive organisationnelle*, Paris: L'Harmattan, 2004, in collaboration with Bruno Triboulois; *L'organisation en réseau: mythe ou réalité*, Paris: PUF, Coll. 'la politique éclatée', 2004, in collaboration with Michel Ferrary). He is also Editor of *Society and Business Review* (Emerald Publishing).

Françoise Quairel is Associate Professor at Paris Dauphine University where she teaches management control systems, strategic management and corporate social responsibility at Master's level. Her research interests are focused on implementation processes of corporate social responsibility, and the integration of responsibility and sustainability principles in management tools. In 2004 she published with Michel Capron *Mythes et Réalités de l'Entreprise Responsable* (Paris: La Découverte, 2004). Her ongoing research into reporting and social rating has been published in journals such as *Comptabilité- Contrôle- Audit*, *La Revue des Sciences de Gestion* and *La Revue Française de Comptabilité*. She is a member of the French working group of ISO for corporate social responsibility and of the French 'Conseil National de la Comptabilité' working group for sustainability reporting.

Sibel Yamak is Associate Professor of Management at Galatasaray University Istanbul. Her recent research interests include corporate governance, business elites and corporate social responsibility. Dr Yamak teaches and conducts research on strategic management issues. In particular, she has presented and published numerous papers on the topic of top management teams, corporate governance, stakeholder theory and entrepreneurship.

1

From Government to Governance

Maria Bonnafous-Boucher

Introduction

From a cosmopolitical point of view, the concept of 'government' is generally subsumed under that of 'governance'. The term 'governance' covers various types of practices – economic (corporate governance); political (European governance); and both political and economic (global governance). From the cosmopolitical perspective, the issue is not what government is, or even what the best type of government is and how to achieve it, but what definition can be attached to the slippage from the concept of government to that of governance, and what the nature of this modification is. Are we dealing with an accidental occurrence (a mere chance semantic slippage) or with an inevitable process? And if it is an inevitable process, by what necessity is governance applied to both economics and politics, whose rules are apparently so distinct? If the term governance covers the spheres of both public and private life, should we conclude that there exists a sole, all-encompassing form of governance, or several different ones? In order to reply to these questions, I shall use Foucault's concept of 'governmentality', which I believe to be close to the notion of governance. Developed as part of a project to understand a certain stage of liberalism, governmentality expresses three things: firstly, a notion of the act of governing; secondly, an always already-existing interpenetrability of the economic in the political and the political in the economic (in regard to which Foucault wrote that 'the introduction of the economic into the exercise of politics [was] the essential issue of government and governmentality'); and thirdly, an internal logic which is a political rationality of a specific nature. Foucault also referred to this as the 'internal rule of liberalism', which tends to render indistinct the governmental practice

of, on the one hand, political, and, on the other, economic institutions. The aim of this chapter is to demonstrate that the concept of liberal governmental rationality is more important than that of 'governance' in terms of anticipating and shaping the notion of governance.

The nature of governance

Far from being a mere semantic slippage, a kind of accident, the process by which the concept of government has been subsumed by that of governance represents a substantial modification. Consequently, in order to understand the magnitude of this modification, it is not enough just to effect a linear and mechanical analysis first of government and then of governance. Foucault's concept of governmentality cannot be used to retrace a linear history of the process and explain its internal logic. If this approach is problematic, it is because both governance and governmentality express a kind of instability in the act of governing, which has nothing accidental about it.

In spite of the fact that governance comes in various shapes and sizes, the term is generally used to refer to a relatively trivial phenomenon: the weakening of the model of the nation-state and the consequent repositioning of instances of public authority within it. However, there is another meaning attached to governance which describes a phenomenon deriving from the decline of the nation-state: the elaboration of new, alternative supranational and infra-national rules which contribute to the development of models and systems of government able to counter this decline. Thus, 'thought about governance generally oscillates in a vulgar way between a theory of the hollow State and emphasis on the power of the market, a contractual-utilitarian approach'¹ or even, in extreme cases, a nexus of decentralized social sub-systems.² More essentially, the concept of governance, even if it is a long way from having been definitively set in stone, does seem to take account of an unprecedented situation of competition between domains of government, which usurp their legitimacy in function of their degree of influence in a process of negotiation, the result of which is arbitrary. Examples of this are big business (the fact that the turnover of certain multinationals is similar to the GDP of some countries means that they rival them in terms of influence); and European governance which, although obliged to compromise with the executives and parliamentary governments of members states, has the power, in the last instance, to define structural balances and imbalances; or world organizations which work towards a global harmonization of Planet Earth's survival criteria above and

beyond the desiderata of national governments and call for a world government, the ruling of which is uncertain. 'Governance' thus becomes a conception of the act of government for which the search for rules of action and a process of compromise between various parties is more important than the identification of the entity which exercises the act of governing. In other words, the concept of government, while not being accidental, is at least historical, and can only, in my view, be understood in a context in which institutional centres of legitimacy are being modified. In a certain sense, this competition between domains, this process of compromise, this search for rules is what Foucault called 'the governmental rationality of liberalism'.

The concept of governmentality is linked to the search for rules and compromises inscribed in the problematic of governance. At this point, it would be convenient to examine the meaning of governmentality in Foucault's work as a whole. The occurrence of the notion, especially in *Dits et Ecrits*³ and the frequency with which it appeared between 1978 and 1984, or, in other words, the years which the author dedicated to *Naissance de la biopolitique*, correspond to the period in which Foucault had abandoned his examination of power and domination and was attempting to reconstruct a political philosophy shorn of its traditional objects, such as the State, sovereignty, the theory of the maintenance of princely power, and of relations between governors and the governed. Governmentality represents this turning point; it is the manifestation of a rupture with classical political philosophy. The 1976 Collège de France seminar, 'Society Must Be Defended', confirms this change of direction. It could be objected that the initial formulation of governmentality sketched out in the fourth lesson of this course (1 February 1978)⁴ borrows from a theory of domination. However, the following formulations correspond to a conception of government which mirrors what Foucault described as the 'governmental rationality of liberalism'. 'Governmentality', the author said:

corresponds to a twin objective: to produce a critique of current conceptions of power (more or less confusedly thought of as a unitary system organized around a center, which is at the same time the source and which, due to its internal dynamic, continually spreads outwards); and, on the contrary, to analyze power as a domain of strategic relations between individuals and groups. (p. 730)

Objections have been made concerning the amorphous quality of the concept of governmentality within the economy of Foucault's oeuvre,

and it would perhaps be preferable to concentrate our attention on a more precise category – the governmental rationality of liberalism, which, in the end, is its twin sister. Effectively, at their present stage of elaboration, neither governmentality nor government allow us to grasp their internal logic; they must be understood as manifestations of a governmental rationality, as its modalities. But what is the nature of this rationality?

Liberalism's governmental rationality

Effectively, if an analysis of governmental rationality is essential, it is because it radically transforms the act of governing. Firstly, it definitively modifies our view of what it is 'to govern'. Liberal governmental rationality, unlike governmental rationality *tout court*, and *Raison d'Etat*, signals the end of government as final instance, as an entity represented by a sovereign authority (*superanus*, superior), above all others, subordinate to no-one, independent, manifested, notably, in the exercise of law and legitimate violence, complete with an administrative apparatus, and based on a theory of the upholding of power and stability. With liberal rationality, reference is no longer made merely to the 'political structure and the management of States',

to instituted and legitimated forms of political and economic subjectivation, but [also] to modes of action designed to effect the possibilities of action of individuals...Governing, in this sense, becomes the process of structuring the possible field of action of others. (p. 656)

in a novel atomization of the public sphere. With this kind of governmental rationality, the act of government has no place of election, no sovereign instance of its exercise or application, no institutional preference; it entirely inhabits governmental practice, whatever its nature might be. That is why Foucault's centre of interest shifted after *Discipline and Punish* away from a meticulous, painstaking description of apparatuses of power, since, basically, to criticize those who founded a political philosophy on the analysis of a stable sovereign entity and to criticize the kind of legal domination deriving from such an entity through a microphysics of the instruments of domination would have been one and the same thing. On the other hand, analysing the act of governing without attributing any form of tangible organization to government presupposes a recognition of the rationality inherent in

that act, or, in other words, acknowledging an ‘implicit link between principles of government, one or several techniques, and a set of practices’ (p. 656).

This implicit link defines the government, or rather such and such a type of government. Due to the nature of its functioning, it intrinsically presents itself as justifiable causality. Governmental rationality is not limited to liberalism. Indeed, it manifests itself in any number of different ways depending on the principles and techniques accorded to it, and is an activity that exhibits demonstrable links of causality.⁵ ‘After all’, wrote Foucault, ‘political practices are like scientists: it is not reason in general that is applied, but always a very specific type of rationality’. That is why *Raison d’Etat* and liberal rationality can coexist in a manner that has little to do with any form of pastoral governmental rationality.

Secondly, the radical change introduced by liberal governmental rationality consists in encouraging an unprecedented permeability between the government of the public affairs of the *polis* and that of the private affairs of the market. It is, effectively, a subordinated rationality cast in a relationship of dependence *vis-à-vis* a different, since *a priori*, non-political order: the order of administration and management. This subordination is based on an internal rule, a rule which, like Janus, has two faces: the first, a self-imposed limitation of governmental rationality,⁶ the second, a kind of indifference in regard to the fields in which it is applied. This ‘limitation follows a relatively uniform itinerary as a function of principles which are always valid in all circumstances’.⁷

We must now examine the two faces of this rule with a view to circumventing the kind of instability in the definitions of governance and governmentality mentioned above, because, as we shall see, these two faces of the rule of liberal rationality explain that instability.

The internal limitation of liberal governmental rationality means that this form of rationality provides itself with a minimal rule, which is also an injunction: ‘Do not govern too much’, an idea corresponding to Benjamin Franklin’s concept of ‘frugal government’. Consequently, ‘objections will no longer be raised about the abuse of sovereignty, but about the excess of government’. The rationality of government practice is measured against the standard of excess, or, otherwise expressed, against a notional limit of government activity beyond which all actions would be adjudged to be excessive. But in order to understand the meaning of the phrase ‘excess of government’, we have to refer to a kind of governmental rationality different to that of liberalism: *Raison d’Etat*. Liberal governmental rationality shortcircuits *Raison d’Etat*. In effect, if liberal governmental rationality is self-policing, *Raison*

d'Etat prescribes itself a self-policing rule in the form of law. From the Foucauldian perspective, although *Raison d'Etat* used the unlimited objectives of its own rationality in order to safeguard its own existence, the absence of limits implicit in its system was counterbalanced by another form of limitation exterior to it. Because the institution of the State was based on the rule of law, the law itself acted as a brake on the State's extra-territorial expansionist ambitions. Furthermore, Foucault wrote,⁸ 'jurists [were well-aware] that the question of law [was] extrinsic to the *Raison d'Etat* because they [defined] it precisely as that which was exorbitant'.⁹ And Foucault went on to say that: 'In the 17th and 18th centuries, public law is oppositional, even if, of course, a certain number of theorists attempted to integrate an examination of law into the *Raison d'Etat*'.¹⁰ Foucault meant that there is, within the framework of this rationality, a system of counterbalances acting on the unlimited objectives within the State itself and its limited objectives outside its own borders. The unlimited objectives within the State are linked to a specific reality of this stage in the history of government: an autonomy of the State based on an internal rule which is inversely proportional to that of liberal rationality: 'to ensure that the State becomes more solid and permanent, becomes richer and stronger in the face of everything that might destroy it'.¹¹ To this end, the rationality of *Raison d'Etat* introduces a certain degree of organization into production, commerce and finance: the State must enrich itself through accumulating money; strengthen itself by encouraging population growth; attempt to maintain a state of permanent competition between itself and foreign powers. However, the objectives of this *Raison d'Etat* limited outside its borders by a 'European balance of power' which makes it impossible for one State to dominate the others and which eschews the gloomy prospect of any kind of imperial unity. The dangerous logic of the *Raison d'Etat* position *vis-à-vis* other States led it to create

competition by introducing a certain number of inequalities in Europe, inequalities which were to increase in magnitude, which were to be sanctioned by an imbalance in the population [of various States], and, consequently, in military forces, thereby creating the risk that the imperial situation, against which the policy of European equilibrium pursued since the Treaty of Westphalia had been instituted, would come to pass.¹²

It is thus clear that the internal rule of *Raison d'Etat* contains within itself a potential hegemony over other States deriving from the unlimited nature of its objectives in the sphere of self-preservation.

If the aim of the State is to reinforce itself, it runs the implicit risk of exceeding its limits, contradicting its own interests and eventually going to war with other States, thereby dismantling its own rule (the stability produced by its sovereignty, a stability that depends on the defense of that sovereignty against others. The equilibrium between unlimited interior objectives and limited exterior aims paid to the possibility of this excess by destroying the internal rule of its own rationality, the *Raison d'Etat*.

Liberal governmental rationality, on the other hand, is based on quite different, almost inverse principles, operating a kind of process of self-censorship of its own rule ('how not to govern too much'). Nevertheless, 'self-censorship' is not the right term, or at least not exactly, since self-policing is not the product of a rule which places limits on excessive government, nor does it act as an anticipatory limitation external to the production of the rule, but, instead, derives from the production of the rule itself and, consequently, is internal to it and induced by practice. The nature of this limitation is not juridical; it is, rather – due to the fact that it is tied up with the rule itself – a *de facto* limitation.¹³ The rule is practical in nature because it is the fruit of a transaction, an 'action between' different parties – regardless of who these parties might be. The measure of the practice is the result of the transaction, or, in other words, the arbitrage between the degree of priority accorded to various actions, agendas and non-agendas as outlined by Bentham.¹⁴ The self-policing of liberal governmental rationality manifests itself in the development of this transactional process:

Liberalism' governmental reason is practical because it is not imposed on those governed by those who govern, its definition and the respective positions of the governed and those who govern, opposite and in relation to each other, is fixed by the way in which it is practiced. The rule of internal limitation is thus not imposed globally, definitively and totally.¹⁵

Demonstrating, firstly, the non-existence of any unconditional exterior factor ruling on the legitimacy or otherwise of governmental action; secondly, that reality is made up of impossible-to-counterbalance factors of conditionality and the provisional and that the act of governing is the ever-shifting basis of an infinite series of transactions; and, thirdly, considering government as a means of structuring the field of action of other people, is, in effect, to start to think of government as governance. So much for Janus's first face. Let us now take a look at the other one.

I would like to start sketching this second face by examining the passage Foucault extracted from Frederick II's *Anti-Machiavel*.¹⁶ For Frederick II,¹⁷ long before the Physiocrats and Quesnay, and like, later, Guillaume de la Perrière,¹⁸ to govern is to accept a continuity between the political and the economic: 'a good government' is 'an economic government'. In other words, 'while the doctrine of The Prince or the juridical theory of the sovereign represent an attempt to trace a discontinuity between the power of the prince and all other forms of power, here it is a matter of isolating a continuity' between different types of government while at the same time ignoring the categories of the political and the economic. Why? Because to govern consists, above all, in effecting the 'right disposition of things in order to achieve suitable ends' – whatever the nature of these 'things' might be. But other factors define liberal rationality very precisely. Production has no need of exterior factors in order to understand itself, since the self-policing rule (to avoid excessive government in all things) is produced and inductively renewed by its practice and manifests itself as the norm. In other words, productive activity, which can be confused with both *poesis* and *oikonomia*, is certainly linked to the order of the unlimited, of excess, but no longer has any need to be limited by anything like a *praxis* providing such activities with a set of laws. No. The unlimited contains its own limits. Whence Quesnay's striking phrase: 'government is the art of exercising power in the form of and according to the economic model', which means that to govern politically is, automatically, to govern economically: the order of production as *poesis* and *praxis* paradoxically internalized in this *poesis* is both primordial and totalizing.

This is the radical departure introduced by liberal governmentality in the eighteenth century. Nothing can give exterior meaning to the productive activity of the act of governing except by remaining external (either negatively or positively). This is the case of morality. This is what is monstrous and horrifying in our rationality; it is what produces the sense of absolute rejection of globalization. Basically, governance as continual search for rules of action and compromise between various parties translates the infinite movement of *oikonomia*, free of the limits imposed by any form of reason, whose self-justification cannot be represented by the public sphere by the autarky of the *polis*. This internal self-justification is neither entirely internal nor entirely a self-justification in that it is encapsulated within a form of knowledge which explains the laws on which it is based. The basis of economic science, which in the eighteenth century became political

economy (one might even say the politics of the economy), was not a series of rights preceding the exercise of a certain form of rationality, but a kind of naturalness implicit in the practice of governmental action. 'The objects of action of government have a nature of their own, as does government action itself, and this is what political economy studies'.¹⁹ 'Nature is the "hypodermis" of liberal governmental rationality, the invisible face of another face which is action not on nature, but in nature, following the laws of nature (p. 15)'. The essential problem of this type of governmentality is how to follow the laws of nature without knowing what they are. It can only follow them by acting. In other words, liberal governmentality is unaware of the principles of these laws. All it can do is measure their effects.

Liberal rationality confirms 'the sudden emergence of political economy'. 'It is, fundamentally, political economy that has made possible the entrenchment of the self-limitation of governmental rationality as a form of de facto self-regulation intrinsic to the very operations of government, which become the object of indefinite transactions'²⁰. However, between 1750 and 1810, the object of what is referred to as the economy takes a number of different forms, varying between a 'strict and limited analysis of the production and circulation of wealth'; a 'method of government able to ensure the prosperity of the nation'; and, in the *Encyclopédie* 'a general reflection on the organization, distribution and limitation of powers in a society'. Political economy is the basis of a new and characteristic governmental rationality for which, firstly, 'economic rationality inhabits political rationality, thus forming a totalizing governmental rationality. The position of economic rationality will not be an exterior one, like that of juridical rationality' (p. 16); secondly, the foundations of this form of governmental rationality are evaluated in function to their effects rather than in terms of original rights. 'Governmental practices are not examined from a legal point of view in order to determine whether or not they are legitimate (p. 16)' but are judged by their results and effects. The entire field becomes a kind of game of consequences. The question is no longer, 'by what right does the sovereign raise taxes?' but 'will the effects of levying taxes on a certain category of people or a certain class of goods be positive or negative'? Thirdly, for political economy, what is important is not a series of rights preceding the exercise of a certain form of rationality, but a kind of naturalness implicit in the practice of governmental action.

Beyond Michel Foucault: from liberal governmental rationality to governance

Governance as competition between organization and institution

Having attempted to outline the nature of governance and how it fits in, logically, to a specific governmental rationality – that of the eighteenth-century origins of liberalism – it is now time to try to define a framework enabling us to understand the two proposed meanings of governance.

We have already seen that liberal governmental rationality can be described as a process of ‘not governing too much’. We have also seen that governance can be viewed as, firstly, ‘a conception of the act of government for which the search for rules of action and a process of compromise between various parties is more important than the identification of the entity which exercises the act of governing’ [and, secondly, as a] ‘competition between domains of government which usurp their legitimacy in function of their degree of influence in a process of negotiation, the result of which is arbitrary’. It is this rivalry that Ulrich Beck described in *Pouvoir et contre-pouvoir à l'ère de la mondialisation* (Power and counter-power in the global era).²¹

In his book, Beck demonstrated that the framework for the constitution of a global counter-power is the opposition between institutions and organizations, and that, consequently, governance implies not a re-foundation of institutions, but a growth in the number of organizations with divergent interests. This change in perspective, evidence of which can be found in the activities of certain international organizations, which are also the counter-powers of civil society *vis-à-vis* multinational companies – NGOs, for example – is a reversal in the balance of power between institutions and organizations from which there can be no turning back. Firstly, the distinction between what is national and what is international has become defunct: we now act within a single, global political framework. Secondly, the abolition of economic, political and social borders marks the beginning of a new struggle for power and counter-power. In other words, the relationship between institutions and organizations has been definitively reversed. And if ‘this reversal has taken place, it is because institutions no longer provide the kind of forum or framework within which organizations carry on their activities’.²² Consequently, the organizational game becomes more important than its institutional counterpart. This is particularly true of economic organizations, ‘which escape from the institutional framework and dismiss the national a priori

of political action'.²³ And it is, of course, also true of *altermondialiste* organizations.

Ulrich Beck's description of this reversal is masterly. When it comes to defining exactly what is meant by 'organization' and 'institution', theorists are sometimes vague. What do the two terms mean for Beck? By 'institution' he means, 'the basic or implicit rules governing the exercise of power and domination'.²⁴ Institutions determine, so to speak, the basic norms and forms of political action. By 'organization' he means 'individual players, each with a certain number of members, a certain level of financial and local resources, and a legal status'.²⁵ For Beck, this legitimacy of action is not accorded to specific actors because the old national-international institutional order is no longer an ontological given, but, instead, a negotiable quantity. In other words, it is the dialectic between organization and institution that creates a 'meta-game' whose logic implies a constant modification of the rules of this dialectic.

Steps on the way to an organizational definition of the institution

The generic approach

As José Allouche and Isabelle Huault pointed out:²⁶

the concept of institution applied to law, economics or sociology in its institutionalist sense covers neither the same empirical realities, nor the same theoretical bases. Between the economic tradition (Williamson, 1975; Nelson and Winter, 1982)²⁷ oriented towards an instrumental conception of institutions, and the sociological tradition (DiMaggio and Powell, 1983; Scott, 1995; Tolbert and Zucker, 1996)²⁸ which works with a wider definition of institutions as veritable means of social coordination, the premises seem to be different in many respects.

Beyond the so-called institutionalist approach and from a more generic perspective, 'to institute' in its primary sense means to establish a rule or a law valid for all, what Max Weber termed 'rational-legal authority'. To express it in another way, it is an act of foundation within the framework of the law, the problematic of the institution being tied in with the idea and reality of foundation. In a *second sense*, 'to institute' is to give assurances of stability. In a *third sense*, derived from the first two, 'to institute' means to introduce common principles, for example by writing a constitution. In a *fourth sense*, 'to institute' means organizing

a human collectivity in view of realizing a higher goal, a collectivity whose members accept or suffer the existence of a common authority. Lastly, in a *fifth sense*, the institution is the result of the establishment, in the true sense of the term, of the act of founding, which can take various forms, what is always 'a legally organized structure, equipped with areas of competence, means and personnel, and charged with a mission or function'.²⁹ Aberdoff adds that this reality constitutes either an *existing organism* – when there is a conscience of a mission and the will to carry it out in the same way as a corporate entity – or a process of creation, in the case in which the founder, having had the idea of a mission, creates a society of followers with a view of accomplishing it; or, an *established social organization* linked to the general order of things, the permanence of which is guaranteed by a balance of forces or a separation of powers, and which constitutes, in and of itself, a State subject to the rule of law. In public law, these distinctions make possible an analysis of the various administrative institutions which measures their degree of individuality and autonomy and furnishes a realistic theory – for example, a theory of the State – by justifying its inherent value as a State subject to the rule of law, and by explaining its system of self-policing in reference to balances resulting from the separation of internal powers. In private law, this conception is used above all to take account of the phenomenon of the corporate entity (society, association, foundation, union).

The anthropological approach

For anthropologists, the institution has an entirely different face, which neither structure nor establishment in law succeed in describing. And, in fact, the approach of the institutionalist school is effectively bypassed.³⁰

In cultural anthropology, the question is asked thus, 'how can an individual subordinate his or her interests to a wider social entity?' According to Mary Douglas, in order to reply to this question, as trivial as it is metaphysical, we must presuppose a stable and durable agreement between the parties involved. Douglas writes that, 'a convention arises when all parties have a common interest in there being a rule to insure coordination'.³¹ But this convention cannot police itself: it is not based on the consensus of agreement. The anthropological status of the institution cannot be limited to a 'minimalist interpretation that would reduce it to a convention, a rule underlying a form of coordination producing self-policing effects'.³² This implies that a convention and an institution are not one and the same thing. An institution requires that

the legitimacy of a convention should derive from sources outside itself through a process of cognitive elaboration in which all the parties take part. But what is the composition of these parties? In the end, an institution is the complex intertwining of a social architecture, a symbolic system, and a form of cognition, which is almost unconscious of this architecture. And contemporary anthropology has given itself the task, in both so-called primitive societies and industrial ones, of discovering how this intertwined entity, composed as it is of disparate elements, comes into being. Mary Douglas thinks that it is based on analogical operations (individuals agree about the resemblance or lack thereof between two things, for example). Consequently, the institution becomes the response to a heterogeneous raft of elements that are considered to form a unified *ensemble*.³³ Douglas writes that the institution is understood as being a socially legitimated group:

The institution in question may be a family, a game or a ceremony. The legitimating authority may be personal, such as a father, doctor, judge, referee or maître d'hôtel. Or it may be diffused, for example, based by common assent on some general founding principle. What is excluded from the idea of institution . . . is any purely instrumental or provisional practical arrangement that is recognized as such. [M]ost established institutions, if challenged, are able to rest their claims to legitimacy on their fit with the nature of the universe. A convention is institutionalized when, in response to the question, 'Why do you do it like this?' although the first answer may be framed in terms of mutual convenience, in response to further questioning the final answer refers to the way the planets are fixed in the sky or the way that plants or humans or animals naturally behave.³⁴

What Mary Douglas means is that an institution has been established when a convention (an agreement) has become naturalized (becomes natural). The problem here is not that this 'naturalization' is real, that it corresponds to a degree of knowledge about nature, but that it is the shared belief of a social group. The same thing applies to the tomato, now an indispensable part of the Western diet, but which used to be classified, by resemblance and analogy, as a poisonous red berry. This is a good example of how 'these resemblances that provide favorable social analogies are primarily constituted for legitimizing social institutions, and they are not intended for inference about physical things'. And for 'institutions [to] survive the stage of being fragile', it is necessary that, 'being naturalized,

they are part of the order of the universe and so are ready to stand as the grounds of argument'.³⁵

Succinctly expressed, the institution is born of the naturalization of convention, it is even the *process* through which a given society arrives at a convention '*An institution has been established when a convention (an agreement) has become naturalized (becomes natural)*' (p. 75). And '*a convention arises when all parties have a common interest in there being a rule to insure coordination*'. Thus, the nature of the institution is to be sought not in what composes it (a group), but in what supports (the fact that it links one thing to another and renders this link credible and legitimate). In Douglas's cultural anthropology, this last aspect has its origins in cognitive activity:

the entrenching of an institution is essentially an intellectual process as much as an economic and political one. A focus on the most elementary forms of society brings to light the source of legitimacy that will never appear in the balancing of individual interests. To acquire legitimacy, every kind of institution needs a formula that founds its rightness in reason and in nature. Half of our task is to demonstrate this cognitive process at the foundation of the social order. (p. 79)

Let us now examine in detail the significance of this oscillation between concretization and abstraction.

The impetus of Mary Douglas's argumentation is contained in the following propositions: (1) the institution is not a form of precarious convention; (2) it is not a process of cooperation or coordination resulting in the formation of a corporate organization; (3) an institution is not defined by its members, but by the links between one thing and another that it effects and legitimizes; (4) the institution acquires legitimacy when it renders these links durable; and (5) these links form part of the sediment of a given culture or society.

Getting around Polanyi and Granovetter?

Karl Polanyi has examined the social construction of the institution through his problematic of 'embeddedness'.³⁶ By 'embeddedness', Polanyi means the inscription of the economy into social, cultural and political rules which underlie certain forms of production and certain ways of distributing goods and services. In pre-capitalist societies, markets are limited, and most economic phenomena are the object of an inscription in norms and institutions, which preexist them and give

them form. The importance accorded to the market in the modern economy manifests itself as embeddedness, since the diffusion of trading relations makes it possible for these last to become autonomous *vis-à-vis* social relations. But the ‘forward march’ of the market does not imply the disappearance of economic forms based on redistribution and reciprocity. Redistribution is the principle according to which production is entrusted to a central authority responsible for sharing it out, which presupposes a procedure defining the rules governing taxation and the way in which tax monies are reallocated. Reciprocity characterizes the relationship established between groups or individuals through transactions whose meaning can only be seen as deriving from a will to manifest and reinforce a social link between the parties involved. The cycle of reciprocity is opposed to commercial exchange because it is indissociable from relations based on desires for recognition and power. It is distinguished by redistributive exchange because it is not imposed by a central authority. Redistribution and reciprocity therefore continue to exist in modern economies in the form of non-commercial, non-monetary forms of exchange:

To sum up: in contemporary economies, public redistribution reveals, by its very existence, an embeddedness of the economic in the political. At the same time, this maintenance of relations of reciprocity translates into an embeddedness of the economic in the cultural. The embeddedness of the economic can thus be imputed to the movement inherent in the capitalist economy, but this is only an underlying factor, and the non-commercial, non-monetary areas of the economy attest to the persistence of the embeddedness of certain components of the contemporary economy in the society in which they have taken root...Embeddedness can, therefore, be approached from two different perspectives: the ‘relational’ aspect, focusing on personal relations, and the structural aspect, focusing on the structure of the general network of these relations; the second aspect makes it possible to analyze segments of the social structure which are not linked to primary groups.³⁷

The approach of the French regulationist school

The approach to the institution of the French regulation school focuses on struggles between social actors leading to institutionalized compromises which exert an influence on the field of the possible in terms of concrete forms of coordination within organizations. Two aspects of

this analysis can be articulated: the institutional and the organizational. The institutional aspect corresponds to the rules around which social actors find explicit compromises enabling them to stabilize their relations; the rules are then defined as any regularity providing a reference point for action and surpassing the limits of the primary groups in which people live their daily lives together (rules of law applicable to all and coming under the aegis of the legislator, regulations deriving from the State, expressions of the collective, contractual agreements binding their signatories, agreements governing relations between local actors). In other words, the institutional aspect takes into account the 'rules of the game' by legitimizing the mechanics of the decision-making process. Taking this into account leads, for example, to a distinction between public action and private enterprise, since the genesis of the legitimate arena of public service directly implies a relation of a political kind. This institutional aspect should be distinguished from the organizational aspect, which corresponds to modes of division and coordination governing production and work in all economic entities.

Amongst the sociological approaches focusing on institutional forms and social relations are those based around the notion of 'societal analysis'. These studies cast national socio-economic systems as arenas of education and qualification inducing forms of organization (Maurice, Sellier and Silvestre, 1982).³⁸ In the same general area, an approach combining comparison of international situations with historical analyses has been developed with a view to defining the notion of governance and tracking the evolution of the labour market (Lallement, 1999;³⁹ Le Galès, 1997;⁴⁰ d'Iribarne, 1990,⁴¹ 1998).⁴² Some authors advance a cultural reading of the societal effect (d'Iribarne, 1990), while others deconstruct categories relative to employment (the relationship between the active population and unemployment) by showing that they are socially constructed (Maruani and Reynaud, 1993).⁴³ The focus shifts from work to employment, thus creating a sociology of employment, or, in other words, modalities of access to and retreat from the labour market and the social statutes deriving from it (Lallement, 1994,⁴⁴ 2000;⁴⁵ Rose, 1998).⁴⁶ Other authors have explored the field of socio-economic regulation, basing their studies on the firm as a social fact, rather than merely concentrating on the weight of contingency bearing down upon it. For those authors, who promote the idea of a sociology of the firm (Alter, 1996;⁴⁷ Osty, Uhalde and Sainsaulieu, 1996;⁴⁸ Thuderoz, 1997;⁴⁹ Segrestin, 1996;⁵⁰ Piotet, 1998),⁵¹ its institutional dimension is characterized by the fact that it is not just an arena of social conflict, but that it also, at the same time, exerts an influence on

representations and social structures. This institutional dimension is the object of a process of periodization to the degree that 'the regulationist analysis of growth focuses on the synchronization between the growth of the productivity of work and an increase in real salaries required for regular and durable growth'.⁵² This periodization is described as follows. The formation of salaries and the productivity regime play a determining role in the possibility of contrasting modes of regulation succeeding each other over time. Firstly, during the nineteenth century and the First World War, a form of competitive regulation was dominant. Increases in productivity had a negative impact on nominal wages (during the period, the rise in productivity was associated with a reduction in employment which had a negative effect on salaries) in such a manner that total demand was linked negatively to this increase in productivity. Growth was thus slow but stable. Secondly, in the interwar period, the new configuration of industrial organization based on Taylorian principles increased returns to scale and capital-labour ratios, thus paving the way for an unprecedented growth in production capacity. However, salaries continued to be defined according to competitive criteria, and in some countries employees found themselves in a particularly weak position which tended to increase the (negative) demand and thus undermine improved productivity. This situation led to the economic crisis of 1929 and to the kind of instability that characterized the entire period. Thirdly, after the Second World War, a new social compromise made it possible to share the benefits of increased productivity. This compromise was either rendered more or less explicit in certain collective agreements or was obtained implicitly through strike action. The indexation between wages and increased productivity was partial, but it contributed to strong growth and stable demand. Fourthly, since the late 1960s, the limits of the system of monopolistic regulation which characterized the *Trente Glorieuses* (or, roughly speaking, the thirty years of postwar growth in France) seem to have become apparent. At the same time, the social and technical systems underlying this form of regulation were adversely effected. But would it not be true to say that this periodization reduces the social field to a series of economic functions? Up to a point, the answer is yes. As Bertrand has remarked:⁵³

on the one hand, [there has been] an enlargement of the economic domain to include social aspects, while on the other, there has been a reduction of the social domain to its economic functions. The 'Fordist' wage costs to productivity ratio is thus understood in its

most strictly economic sense as a social/purchasing power exchange against anticipated increases in productivity: what remains to be done then is to attempt, through a series of explanations, to analyze this phenomenon's foundation, its social matrix, or, in other words, the way in which, historically, social groups were constituted, and later invented, in a contradictory and conflictual fashion, a series of compromises, which are read by economists as classes of equivalences and by sociologists as norms.

These arrangements, which in this instance are not inter-individual as the new economy of institutions would describe them, are, of course, an object of analysis not only in the Fordist period, but also in the periods of neo-Taylorism, neo-Fordism, Toyotatism, Ohnism, Sonyism, and all the other emerging forms of the organization of work.

Conclusion

The diversity of what is termed 'the institution', whether viewed from a generic, legal, anthropological, economic or sociological perspective, encourages us to consider the following issues: (1) the decline of the institution in the face of the growing importance of the organization; and (2) the rivalry between organization and institution in terms of the identity of all forms of governance. I have outlined seven definitions of the institution. In a *first sense*, is that which is founded in law; in a *second sense*, it gives common principles to a thing; in a *third sense*, it provides assurances of stability, an agreement following from these assurances; in a *fourth sense*, it organizes a group of people with a view to accomplishing a superior end; in a *fifth sense*, it naturalizes a convention the legitimacy of which derives from sources outside the convention itself (this is the anthropological approach of Mary Douglas); in a *sixth sense*, it inscribes markets into normative frameworks that preexist them and give them form. The importance accorded to the market in the contemporary economy reveals a process of de-embedding, since the widespread diffusion of trading relations makes it possible for these last to acquire a degree of autonomy *vis-à-vis* social relations. This is the approach of Polanyi and Granovetter. In a *seventh sense*, the institutional dimension corresponds to rules through which social actors have found explicit compromises, which have enabled them to stabilize their relations.

These seven definitions can serve as an initial theoretical framework for an examination of the issues at stake in governance, and particularly corporate governance, the rules of which are constantly renegotiated.

Notes

- 1 Leca, J. (1996) *Gouvernement et gouvernance à l'aube du XXI^e siècle*, Paris: CNAM miméo ('Government and governance at the Dawn of 21st century').
- 2 Lallement, M. (2002) *Les gouvernances de l'emploi* ('Governance and Employment'), Paris: Belin.
- 3 Foucault, M. (1988) *Dits et Ecrits*, III: 'By the word "governmentality," I mean three things... the ensemble constituted by institutions, procedures, analyses and reflections, the calculations and tactics which make it possible to exercise this very specific, very complex form of power, which targets the population, whose major form is knowledge and political economy, whose essential technical tool the security apparatus. Secondly, by "governmentality," I mean the tendency, the line of force that, throughout the West, has continued to lead, and for a very long time, to the pre-eminence of this type of power, which we can call "government," over all other types sovereignty, discipline: which has led, on the one hand, to the development of a whole series of specific government apparatuses, and, on the other, to the development of a whole series of fields of knowledge. Lastly, by "governmentality," I think that we should understand the process, or rather the result of the process whereby the State of Justice of the Middle Ages, which, in the 15th and 16th centuries became an administrative state, has, little by little, become "governmentalized".'

Dits et Ecrits, IV, p. 214, 'Subjectivité et vérité' *Annuaire du Collège de France 81^e ème année 1980–1981*: 'Governmentality had a twin objective: to produce a necessary critique of current conceptions of power (more or less confusedly thought of as a unitary system organised around a centre which is at the same time the source, and which, due to its internal dynamic, continually spreads outwards); and, on the contrary, to analyse power as a domain of strategic relations between individuals and groups'.

Dits et Ecrits, IV, 582 'Préface à l'histoire de la sexualité': 'Governmentality... supposes rational forms, technical procedures, instruments by which it is exercised and strategic games which render the power relations that it must guarantee instable and reversible'.

Dits et Ecrits, IV, p. 728, 'L'éthique du souci de soi comme pratique de la liberté', 1984, *Concordia, Revista internacional de filosofia*, no. 6: 'Governmentality covers the whole range of practices that constitute, define, organise, and instrumentalise the strategies that individuals in their freedom can use in dealing with each other. Those who attempt to control, determine and limit the freedom of others are themselves free individuals who have at their disposal certain instruments that they can use to govern others. The basis of all this is freedom, the relationship of the self to itself and the relationship to the other. On the other hand, if you attempt to analyse power not on the basis of freedom, strategies, and governmentality, but on the basis of the political institution, the subject can only be conceived of as a subject of law. You then have a subject who has or does not have rights, who has had these rights either granted or removed by the institution of political society. All this brings us back to a legal concept of the subject. However, the notion of governmentality makes it possible, I think, to bring out the freedom of the subject and its relation to others, which constitutes the very lifeblood of ethics.'

- Dits et Ecrits*, IV 785, 'Truth, Power, Self', in *Technologies of the Self. A Seminar with Michel Foucault*, The University of Massachusetts Press, 1988: 'Governmentality is the meeting point between techniques of domination exercised over other and techniques of the self'.
- 4 Foucault, M. (1988) *Dits et Ecrits*, III, p. 655.
 - 5 Foucault, M. (1988) *Dits et Ecrits*, IV, pp. 134, 150; Bonnafous-Boucher M. (2001) *Un libéralisme sans liberté* (liberalism without liberty), Paris: L'Harmattan, p. 61.
 - 6 Foucault, M. (2004) *Naissance de la biopolitique* ('Birth of biopolitics'). Course given at the Collège de France 1978–1979 (Paris: Gallimard Seuil Hautes études), p. 23.
 - 7 *Ibid.*, p. 13.
 - 8 *Ibid.*, lecture at the Collège de France, 10 January 1979.
 - 9 *Ibid.*
 - 10 *Ibid.*, p. 11.
 - 11 *Ibid.*, lecture of 10 January 1979.
 - 12 *Ibid.*, lecture of 24 January 1979, pp. 24, 72.
 - 13 Foucault M. (2004) *La Naissance de la Biopolitique*, lecture of 10 January 1979 (Paris: Seuil EHSS), p. 24.
 - 14 Bentham, J. (1748–1832), *Method and Leading Features of an Institute of Political Economy (Including Finance) Considered not only as a Science but as an Art*, in *J. Bentham's Economic Writings*. Bentham divides political activities into three classes: agendas (government action that increases happiness); non-agendas (which do not), and spontaneous actions taken by the people independently of government.
 - 15 Foucault, M. lecture of 10 January 1978, p. 14.
 - 16 Foucault, M. *Sécurité, Territoire, Population*, Course at the Collège de France 1977–78, lecture of 1 February 1978, p. 97.
 - 17 Frédéric II, *Anti-Machiavel*, commentary of chapter 5 of *The Prince*.
 - 18 Guillaume de la Perrière (1499?–1553?), *Le miroir politique, oeuvre non moins utile que nécessaire à tous les monarques, roys, princes, seigneurs, magistrats, ey autres surintendants et gouverneurs de Republicques*, Lyon: Macé Bonhomme, 1555).
 - 19 Foucault, M. (2004) *Naissance de la Biopolitique*, lecture of 1978–1979 (Paris: Seuil EHSS), p. 18.
 - 20 Foucault, M. (2004) *Naissance de la Biopolitique*, lecture of 10 January 1979 (Paris: Seuil EHSS), p. 15.
 - 21 Beck, U. *Macht und Gegenmacht im globalem Zeitalter* (Frankfurt: Suhrkamp Verlag, 2002) - also (French translation) *Pouvoir et contre-pouvoir à l'ère de la mondialisation* ('Power and counter-power in the global age'), Foreword, p. 7, (Paris: Aubier Flammarion, 2003).
 - 22 *Ibid.*, p. 27.
 - 23 *Ibid.*, p. 27.
 - 24 *Ibid.*, p. 27: 'Amongst the institutions of the national power game of the First World War period can be counted the control exercised by the State over a given territory, the international recognition of diplomacy, the monopoly of the use of force, the sovereignty of the law, but also social welfare systems and fundamental civic and political rights'.
 - 25 *Ibid.*, p. 26.

- 26 Allouche J. and Huault I. (2003) 'Les ressources humaines: au-delà des instruments, les institutions', in *Encyclopédie des ressources humaines* (Paris: Vuibert).
- 27 Williamson, O.E. (1995) *Markets and Hierarchies, Analysis and Antitrust Implications* (New York: The Free Press); Nelson, R.R. and Winter, S.G. (1982) *An Evolutionary Theory of Economic Change* (Cambridge: Harvard University Press).
- 28 Dimaggio and Powell (1983) 'The Iron-Cage Revisited: Institutional Isomorphism and Collective Rationality in the Organizational Field', *American Sociology Review*, no. 48; Scott, W.R. (1996) *Institutions and Organizations* (Thousand Oaks: Sage Publication).
- 29 Aberdoff, H. (1988, 2000) *Les institutions administratives* (Paris: Armand Colin).
- 30 Douglas, M. (1989) *How Institutions Think?* (New York: Syracuse University Press). *Comment pensent les institutions?* (Paris: La Découverte, 1989), translation by A. Abeillé, preface by G. Balandier.
- 31 Douglas, M. *ibid.*, p. 66.
- 32 Balandier, G. (1989) Preface to *Comment pensent les Institutions* (Paris: La Découverte).
- 33 Douglas, M. *How Institutions Think?* (New York: Syracuse University Press) *ibid.*, p. 72.
- 34 Douglas, M., p. 67.
- 35 Douglas, M., *ibid.*, p. 72.
- 36 Laville, J.-L. (2000) preface to *Le marché autrement*, Granovetter, M. (Paris: Desclée de Brouwer).
- 37 Granovetter, M. (2000) *Le marché autrement* ('The market, a different approach'), Preface (Paris: Desclée de Brouwer), pp. 14–15.
- 38 Maurice, M., Sellier, F. and Silvestre, J.-J. (1982) *Politique d'éducation et organization industrielle en France et en Allemagne* (Paris: Presses Universitaires de France).
- 39 Lallement, M. (1999) *Les Gouvernances de l'emploi* (Paris: Desclée de Brouwer).
- 40 Le Galès, A. and Bagnasco, A. (1997) (eds) (1997) *Villes en Europe* (Paris: Sage).
- 41 D'Iribarne, P. (1990) *Le Chômage paradoxal* (Paris: Le Seuil).
- 42 D'Iribarne, P. (1998) *Cultures et mondialisation* (Paris: Le Seuil).
- 43 Maruani, M. and Reynaud, E. (1993) *Sociologie de l'emploi* (Paris: La Découverte).
- 44 Lallement, M. (1996) *Travail et Emploi, le temps des métamorphoses* (Paris: L'Harmattan).
- 45 Lallement, M. (2000) 'Les transformations des relations professionnelles et la négociation collective en France', *Working paper for mbbc research agency*, Paris.
- 46 Rose, J. (1998) *Les Jeunes et l'emploi* (Paris: Desclée de Brouwer).
- 47 Alter, N. (1996) *Sociologie de l'entreprise et de l'innovation* (Paris: Presses Universitaires de France).
- 48 Francfort, I., Osty, F., Sainsaulieu, R. and Uhalde, M. (1996) *Les mondes sociaux de l'entreprise* (Paris: Desclée de Brouwer).
- 49 Thuderoz, C. (1997) *Sociologie des entreprises* (Paris: La Découverte).
- 50 Segrestin, D. (1996) *Sociologie des entreprises* (Paris: Armand Colin).

22 From Government to Governance

- 51 Piotet, F. (1998) 'De quelques contributions récentes à une sociologie de l'entreprise', *Sociologie du travail*, no. 1.
- 52 Leroy, C. (2002) 'Les salariés en longue période', in *La théorie de la régulation* (Paris: La Découverte).
- 53 Bertrand, H. (2002) 'Rapport salarial et système d'emploi', in *Théorie de la régulation* (Paris: La Découverte).

Bibliography

- Aberdoff, H. (1988, 2000) *Les institutions administratives* (Paris: Armand Colin).
- Allouche, J. and Huault, I. (2003) 'Les ressources humaines: au-delà des instruments', in *Encyclopédie des ressources humaines* (Paris: Vuibert).
- Bentham, J. (1952–54) *Principles of Morals and Legislation* (London: Harrington, 1789, Oxford: Blackwell, 1948).
- Beck, U. (2002) *Macht und Gegenmacht im globalen Zeitalter* (Frankfurt: Suhrkamp Verlag). The French translation (2003): *Pouvoir et contre-pouvoir à l'ère de la mondialisation* (Paris: Aubier Flammarion).
- Bonnafous-Boucher, M. (2001) *Un libéralisme sans liberté* (Paris: L'Harmattan).
- De la Perrière, G. (1955) *Le miroir politique, oeuvre non moins utile que nécessaire à tous les monarques, roys, princes, seigneurs, magistrats, ey autres surintendants et gouverneurs de Republicques* (Lyon: Macé Bonhomme).
- DiMaggio, P. and Powell, W.W. (1983) 'The iron-cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields', *American Sociology Review*, vol. 48, no. 2 (April).
- D'Iribarne, P. (1990) *Le chômage paradoxal* (Paris: Seuil).
- D'Iribarne, P. (1998) *Cultures et mondialisation* (Paris: Seuil).
- Douglas, M. (1987) *How Institutions Think?* (New York: Syracuse University Press); French translation by Anne Abeillé, *Comment pensent les institutions?* (Paris: La Découverte, 1989).
- Foucault, M. (1988) *Dits et écrits* (Paris: Gallimard).
- Foucault, M. (1980–81) 'Subjectivité et vérité', *Annuaire du Collège de France 81 ème année 1980–1981*.
- Foucault, M. (1994) 'Préface à l'histoire de la sexualité', in *The Foucault Reader* (New York: Pantheon Books).
- Foucault, M. (1988) 'Truth, Power, Self', in *Technologies of the Self. A Seminar with Michel Foucault* (Boston: The University of Massachusetts Press).
- Foucault, M. (2004) *Sécurité, Territoire, Population* (Paris: Cours au Collège de France 1977–78 Gallimard-Seuil, Coll. 'Hautes études').
- Foucault, M. (2004) *Naissance de la biopolitique* (Paris: Cours au Collège de France 1978–1979, Gallimard-Seuil, Coll. 'Hautes études').
- Frederick II, King of Prussia (1741) *The Refutation of Machiavelli's Prince or Anti-Machiavel* (London, Amsterdam).
- Laville, J.-L. (2000) 'Preface to the French edition of Granovetter M', in *Le marché autrement* (Paris: Desclée de Brouwer).
- Lallement, M. (2003) *Les Gouvernances de l'emploi* (Paris: Desclée de Brouwer).
- Lallement, M. (2000) 'Les transformations des relations professionnelles et la négociation collective en France', Working paper for the MBBC research agency, Paris.
- Leroy, C. (2002) 'Les salaires en longue période', in *La théorie de la régulation* (Paris: La Découverte).

- Maruani, M. and Reynaud, E. (1993) *Sociologie de l'emploi* (Paris: La Découverte).
- Nelson, R.R. and Winter, S.G. (1982) *An Evolutionary Theory of Economic Change* (Cambridge, Mass.: Harvard University Press).
- Scott, W.R. (1995) *Institutions and Organizations* (Thousand Oaks, Cal.: Sage Publications).
- Williamson, O.E. (1995) *Markets and hierarchies, analysis and antitrust implications* (New York: The Free Press).

2

An 'Anglo-American' Model of CSR?

Yvon Pesqueux

Introduction

To start out, one could hypothesize that today's extraordinary development of management curricula (a speculative bubble?) is matched by a similarly extraordinary development of concepts. One manifestation of this would be a generalization of the idea that a model of corporate social responsibility (CSR) really does exist. Inversely, this may be little more than a layman's expression that pundits use to describe corporate economic activities via the discursive production of a bourgeois class that has got 'all excited' about this topic – a vulgate that comes with current attempts to renew an extremely blurred systemic perspective. And what exactly is CSR trying to hide? The stealthy nature of its own progress? The fact that it is easier to attack inexhaustible human resources when one purports to abandon the exploitation of exhaustible natural ones?

Remember the four criteria that Hatchuel (2000) suggested as the basis for an organizational model:

- a vision superseding the management technique dimension;
- the ability to transcend sectorial specificities;
- the existence of institutions enabling the model's formulation and diffusion (schools, researchers, groups of professionals, etc.);
- exemplary concretizations.

Several of these concretization elements do exist and can be applied to CSR as a model, especially in light of the CSR principles that were once defined by a UN Commission:

- implementation of certifications (for example, ISO 14,000);
- definition and implementation of codes of conduct;

- definition and implementation of social responsibility policies;
- corporate activities being conceived in terms of the principles of eco-efficiency;
- prohibition of environmental misinformation;
- establishment of stakeholder accounting;
- 'triple bottom line' policies;
- development of 'voluntary initiatives'; and
- implementation of win-win strategies for the business world and for society as a whole.

However, the vague and more or less uncontrollable nature of these elements still leaves open the question of whether an organizational model of CSR really exists (that is, as long as one does not hypothesize that the crossed fertilization of all of the components of a relatively disparate mass of techniques actually does help to constitute a technology).

The logic of this demonstration is based on the difficulty that people encounter in talking about an 'object' (such as an organizational model) without having a particular epistemological stance as a starting point. Our aim is to question the evidence that organizational models have been using as their benchmark. After a few conceptual reminders, we will evoke questions relating to the 'Anglo-American' type of organizational model; the similarities between such a model and a 'European' one; the possible contours of a culturalist perspective in the field of CSR; and the proposal that CSR be envisaged as a major sign of corporate institutionalization.

To start out, we should remember the implicit understanding at work whenever people talk about 'objects' of this sort (Pesqueux, 2002). Discourse is one of the ways of making contact with such an object. The problem becomes one of revealing the representations conveyed by this discourse without masking its co-production, or that of its model: the discourse indicates the model and the model indicates the discourse. In other words, talking about an 'Anglo-American' model of CSR is part of a legitimate form that enables discussion of this sort, even going as far as to delve into the elements of proof that are deemed to justify the models being discussed in a particular way. Do not forget the social interactions between discourses and models. The latter play an essential role insofar as they orient interactions and generate elements of reality that are concomitant with the model's contents.

A model, in its traditional meaning, signifies both a reduction of reality and a norm. In a sense, it is possible to model things ad infinitum; that

is, nothing can restrict the production of models. But what is also important is the justification given for a model. Moreover, it is this process of justification that will limit the production of models, by 'using' some and by giving birth to others. It is therefore essential to ask questions about the conditions underlying the production of models, and to discover why some of them emerge at a given moment, whereas others disappear. This raises questions about the emergence of organizational models – and it is in conjunction with the ambient ideology that we are in a position to discuss them.

Talking about an 'Anglo-American' model of CSR is akin to saying that one should aver that:

- First, this is an organizational model, the issue of corporate social responsibility being both a structuring question pertaining to the nature and circumstances that firm must contend with, and also a sign of their starting to shift their management focus from tasks to people.
- Second, at the very least it can be viewed as a culturalist interpretation, raising questions about comparative benchmarks (are we dealing with a 'European' model here?) and about a form of censorship, seeing as the term 'Anglo-American' in fact highlights the American side.

The problem here is how to confront a generalist model of corporate organization, one whose vocation is to standardize management practices by referring both to instruments developed in companies and also to social practices that are tied to the existence of cultural contexts which can differ from one country to the next. The universalist project of management methods is a real problem since it induces the generalization of a managerial brand of political ideology, one that downgrades actual political institutions in a universe based on a totalitarian, 'one best way' type of thinking, independently of any geographic embeddedness.

Should corporate multinationalization be deemed akin to the advent of a 'global' society that can be described as socially responsible? Inversely, what is the meaning of the reference to a culturalist model of CSR? Which theoretical conditions enable this? Talking about an 'Anglo-American' model of CSR means 'culturalizing' the prospects of managerial willfulness by legitimizing said model through a historical and geographic embeddedness that ultimately remains somewhat 'blurry'.

The question of an 'Anglo-American' type of organizational model

The 'Anglo-American' model of CSR tends to refer to the existence of cultural 'models' of reference that involve a form of primacy being awarded to a so-called 'Anglo-American' culture (see comment above regarding the translation of 'Anglo-Saxon'), if not an 'American' one. Like Farnetti and Warde (1997), we will discuss this notion's historical dimension as if it comprises a long-term model of economic organization. Key to this transmission of an Anglo-American 'model' is its borrowing and mixing of elements: American management methods have played a paramount role in European managerial practices, mainly since the Second World War, but the latter have also enriched the former. It is this factor that complicates comparisons between 'Anglo-American' and 'European' models of CSR.

As indicated in anthropological studies of acculturation (Bastide, 1970), two paradoxes govern the transmission of a model. The first relates to the effects of importing a model that cannot induce the same outcomes as those observed in its country of origin. The second concerns the frequent case of a model that has been adjusted and then returned to its country of origin, and which benefits from this exchange. In other words, models sustain one another mutually and imply effects that differ depending on the environment in which they are being applied. This is probably also why it is so much harder to differentiate them than it seems.

When exported, a model often assumes an unadulterated form, losing all of its complexities. It is reduced to a set of images and scenes that will tend towards an ideal state far from all of the impurities characterizing the original model. This occurs, for example, when American CEOs are described in stories or anecdotes that only mention traits like pragmatism, intransigence, honesty, concern for their communities' welfare, and so on. The 'Anglo-American' model is specifically transmitted using a mixture of purism and dogmatism. It aspires to teach lessons to its target audiences, strict rules that corporate executives must try to enforce in other countries, without paying any attention to local specificities. Some of the responsibility for this falls on senior managers from the host countries, who implement the model with an enthusiasm that combines eagerness and ignorance. Albert (1991) has described the exported version of American capitalism as being 'harder, less balanced, more of a jungle than the original version. Applied without any precautions, it is the equivalent of taking horse medicine without having any antidote to

correct its side effects'. Analysing such a model is all the more crucial when it is highlighted in its original state and not as it appears post-importation. But is this really feasible? Isn't this just one of the fictions in which 'organizational sciences' like to believe?

The 'Anglo-American' managerial model differs from the 'German-Japanese' variant by the fact that the former is characterized by the predominance of the financial sphere and by the search for short-term profits, whereas the latter lets industry play a major role but finds it hard to ensure short-term profits. Hutton (1995) highlighted the differences between the British and American models, asserting that they should not be blithely amalgamated, given the conflicts and disparities that exist between them. This translates the prevailing state of intellectual flux and explains both why the expression of an 'Anglo-American' model was so hastily concocted to describe a particular current of CSR, and why the injection of a 'European' model into the equation does introduce an implied opposition. Remains the question of whether we should be asserting, alongside the implied cosmopolitanism of an 'Anglo-American' model, the militant (or communitarist) minoritarianism of a 'European' one.

The general framework governing organizational models' transmission is tied to nineteenth-century British hegemony, whose economic model was followed by countries like France, Belgium, Germany, the United States and others. It remains that this model was transmitted at varying speeds. The present era is said to be characterized by a phenomenon entitled 'globalization' that tends to blur borders between States due to the actions of multinational firms and because of the existence of free-trade agreements. This is deemed to have consolidated trends of reversibility within today's dominant 'national' models, especially since communism's demise as a political reference has created a 'vacuum' for models of socio-economic development, thus legitimizing 'politicized' references to organizational models as a key for achieving economic development. Turbulences in the global arena will supposedly lead to a *grande transformation* in organizational forms, like the single form, 'one best way' ideology that is exemplified by the 'Anglo-American' model (including its CSR version), an irresistible force that will bowl over any resistance, like the 'European' model.

This reference by a major argument to a specific geographical area creates a modicum of ambiguity between sustainable development's 'macro'- political perspective, which is necessarily covered by a political and economic geographical framework that refers to States focused on varying forms of sustainable development, and a

'micro'- political view of CSR predicated on corporate top executive-dictated strategies.

Are the 'Anglo-American' and 'European' CSR models fighting the same battle?

Corporate social responsibility is, at the very least, a topical management theme, one that positions itself as an extension of themes like quality (1980s) and financial value (1990s). In actual fact, it is linked to this latter, having emerged as a management theme in the late 1990s. As such, CSR is also a continuation/amplification of the Business Ethics theme, and is therefore an action to be taken by senior managers. Lastly, in the wake of Fukuyama's statement on the end of ideologies (1992), it is a sort of alternative project to communism's use as a mode of economic and social development. In other words, it is also an ideological project. This is probably the aspect that tends to imbue it with one of the constitutive aspects of a model, that of being normative in nature.

Corporate social responsibility ties in with Western societies' long history (ever since the Middle Ages) of charitable aid, and can supposedly explain companies' unending battle with phenomena lying outside of traditional human resource categories. At the same time, it could also constitute an 'updated version' of the 'old' moralizing paternalism we first witnessed in the early twentieth century, and which multinational firms' top executives again express today. Yet this ostentatious charity contradicts charitable virtue. Acts of CSR seem closer to acts of protection (of animals and plants, and of persons, depending on firms' ties to a slew of disparate NGOs) than they do to acts of charity.

A final noteworthy attribute relates to a secularization that is not only economic in nature but also grounded in the corporate morality and politics that one finds in 'a post-secular society', to use an expression coined by Habermas (2003). In categories of 'liberal moments' marked by the development of genetic conditions of human hetero-determination, firms, which are a promised land for techno-science's concretization, have correlatively become a place where autonomy can be decreed in a heteronymous manner – as if this constituted a condition enabling moral and political legitimacy. Furthermore, it is in this sense that firms have indeed become institutionalized (*cf.*, Friedman's 1971 criticism of 'self-designed private individuals' who take it upon themselves to decide 'what lies in a company's interest').

Note also the correlation between this CSR theme and risk, a factor whose management, when considered in the broader sense of the term, leads to a potential and real designation of senior managers operating within but also beyond corporate 'borders'. Today we are witnessing a conjunction/disjunction contradiction between the legal, economic and social perimeters bordering firms (especially large ones), a disjunction that creates risks which should be controlled as a matter of course. It is also here that we can talk about a 'triple bottom line'; this can become a basis for CSR since the effects of corporate life go far beyond the legal framework that is customarily used to define the borders of a business's responsibilities.

For a firm's senior manager, however, the fallout of a social responsibility policy means:

- bringing one's sense of social responsibility more in line with the logic underlying 'cost-benefit' analyses, translating into the development of a whole range of instruments;
- 'sorting' social problems (that is, almost entirely dispensing with disability as a theme, so that its only discursive vestige is the relative importance given to the war on AIDS);
- a way of legitimizing pension funds' inherent gerontocracy (a topic to be interpreted in conjunction with ethical investing);
- a managerial confiscation/cooptation of sustainable development, with a recursive 'confusion' between the 'sustainable development' of the planet and the sustainable development of a firm, signifying corporate intrusion into the definition of the 'common good', in terms of humankind's relation to Nature;
- a search for legitimacy in a context marked by a weakening of the rule of law and imitative phenomena, hence a reference to norms and 'models'. This also includes attempts to profit from models' symbolic dimension; and
- 'acting' in reference to an 'Anglo-American' model of CSR, acknowledging American cultural supremacy as being apt to propose corporate operational norms.

All of this explains why corporate social responsibility is associated with stances like:

- the desire to profit from CSR (for example by launching 'organic' products);

- the prudential attitude that consists of doing one's best to avoid catastrophes;
- another version of prudence, which consists of doing what it takes to be 'forgotten'; and
- The hypocrisy of transforming vice into virtue.

It is also a 'pragmatic' (cf. best practices) and 'proactive' response to pressures stemming from the environmental, political and social perspectives that a social body communicates to its firms. This is a new manifestation of the agonistic view¹ (Mouffe, 1994) of the managerial project; that is of the utopia of refusing to recognize the existence of antagonisms within companies. 'Workers, shareholders, unite!' The CSR theme's development is structured first and foremost around the negative injunction of trying to avoid and/or repair social harm. This injunction is based on the American ethical tradition of the 'moral minimum' (Simon, Powers and Gunnemann, 1972), to wit, on the need to formulate a response when faced with the impossibility of avoiding a negative injunction, even if the notion of social harm is both imprecise and shifting over time. This is clearly the original fact 'driving' the reference to an 'Anglo-American' model of CSR.

With CSR, the relationship between a company and society can be considered contractual in nature (Dahl, 1972). This is an ideology that has been developing since the 1960s' protests against business, a questioning that has occurred in both Europe and the United States and which legitimizes a 'rights/contracts/responsibility' continuum. Furthermore, since the entire edifice of market-oriented exchanges, which is based on extra-economic 'fundamentals' like trust, is ultimately grounded in moral principles, such contractualism will have to be based on an ethical outlook. This constitutes a reformulation of the 'old' layman's expression of economic liberalism, which equates corporate wealth with the wealth of nations, by simply assimilating corporate contractualism and the Social Contract.

In short, many ideological and political ingredients are at work when the reference to an organizational model of CSR is legitimized independently of any culturalist interpretation.

The possible contours of a culturalist perspective of CSR

It is only through a comparison of these varying proposals that a culturalist vision can be substantiated, one capable of distinguishing between

American and European understandings that are based on stereotypes which should not become preconceptions. Before going down this road, let us quickly examine the subtle (and often perverse) interactions between ideal-types, stereotypes and preconceptions. Intercultural phenomena constitute an instant in the confrontation between cultural elements, each of which is conveyed in relatively conscious acts (external behaviours, ways of being in the world, customs, habits, language, history and so on) that all carry major emotional overtones (values and presumptions, visions of the world, ways of thinking...). They ask us to distinguish between ideal-types (devised in a comprehensive perspective), stereotypes (discursive foundations for ideal-types and preconceptions) and preconceptions themselves (the degraded emotional usage of stereotypes). This is the idea conveyed in a work published by the Centre de Documentation Tiers-Monde (Flécheux, 2000). A stereotype signifies 'an action that one repeats without critical examination...such actions simplify and generalize, and neglect variations'. Preconceptions 'are (positive or negative) judgements that precede experience, sanctified and dogmatic cognitive prêt-à-porters considered akin to evidence in the absence of any real deliberation'. Preconceptions also have an emotional and identity-laden side. Stereotypes can express preconceptions and/or engender them. All preconceptions are made intelligible by stereotypes, which do not necessarily constitute a preconception since they can be the bearers of ideal-types. Stereotypes are born out of the confrontation between two groups and express differences using one group's terms to describe the other (comparative perspective). Stereotypes therefore possess a function that is both identity-laden and cognitive. Intercultural phenomena begin where stereotypes do not lead to a devaluation of Others. Therein lie their difficulties. The problems raised by this brief discussion of the various notions of ideal-types, stereotypes and preconceptions also asks whether management instruments might not ultimately be interpreted in categories in much the same way as other instruments are; that is, can an 'Anglo-American' model of CSR be as much of an ideal-type as it is a preconception?

Hence the obligation, when talking about an 'Anglo-American' stereotype of CSR, to find a stereotype that can be compared with it, something the present text calls 'European' (see Table 2.1).

Following this comparative perspective, the question raised (and one that is inherent to all culturalist perspectives) pertains to the validity of those traits that have made it possible to build each of these two stereotypes.

Table 2.1 American and European perspectives on CSR

<i>American perspective</i>	<i>European perspective</i>
Avoid any effects that may be damaging to shareholder value and to the firm's reputation	Integral part of managerial 'philosophy' given a particular organizational culture and a management based on references to values
'External' demands leading to ethical codes	Management cannot ignore democracy in the workplace
Tradition of civic-mindedness (especially the civic virtue of honesty)	'Ethical' perspectives emanating from one's social partners
Importance granted to formal training in values	Importance granted to understanding value
Common law legal tradition leaving room for conflict and interpretation	Napoleonic code legal tradition, replete with employment rights
Importance of anti-corruption laws	Voluntary (non-legal) aspects
Ethical codes are quasi-laws	Ethical codes are non-compulsory guides
Federal sentencing guidelines	Partnership between employers and employees (including labour unions)
Business ethics modules in management curricula	Modules on economic implications of business life, in the light of ethical considerations
Aspect incorporated into accreditation processes like AACSB in management education	Aspect not necessarily taken into account in accreditations and curricula
Teachers from other departments (philosophy, theology, political science)	Specific and optional modules taught by management lecturers

Conclusion: from problems in ascertaining the existence of a 'Anglo-American' model of CSR to the proposal that CSR no longer be considered as an organizational model but as a management theme that translates corporate institutionalization

Mirroring elements (like those found in the introduction to this chapter) whose purpose is to justify an organizational model's existence, we would now like to study those elements that enable the

definition of a 'management theme', exemplified by quality in the 1980s:

- A management theme differs from a fad because of its duration (typically a decade).
- It offers the support of a managerial vision that is capable of federating different objectives. For example, with quality this refers to managerial quality, product quality, the quality of the 'supplier relations' and of the 'customer relationship' – all of which, when combined, gave birth to this theme during the 1980s.
- Management methods lying outside of its scope are reinterpreted therein (that is, quality certification). Categories from neighbouring disciplines can also be 'annexed' (like ergonomics, with its theme of identifying and offsetting human error, and the effects on quality). Other, newer themes can also crop up (for example quality circles) before disappearing.
- A theme gives the illusion of novelty (as if quality had never been produced beforehand!).
- A management theme also offers dimensions that can catalyze reinterpretations of the origins of performance, references to social interactions, procedures and values. However, when seen closer up, what we face each and every time is a reinterpretation that emphasizes something which already exists.

A management theme imbues its object with a symbolic and imaginary dimension that continues to mark managerial representations even after its golden age has elapsed. Quality bequeathed its norms to us, and they are still seen as the 'mother' of all managerial norms.

Like an organizational model, a management theme enjoys the attributes of a discourse with the following aspects:

- Locutional (what the discourse expresses *prima facie*). The CSR discourse is based on a number of declarative perspectives; value charters are one example out of many.
- Illocutional (what it prevents from being said). There is nothing neutral about the fact that this notion has succeeded that of financial value, since it allows the *bourgeoisie* to continue operating unnoticed. Who feels free nowadays to say that companies are 'dirty'!
- Perlocutional (the concrete acts it induces).

It remains that a management theme, precisely because it is a theme and not a model, tends to be more clearly ideological in nature:

- Simplification and incantation, hence blindness to the deterioration of political categories (the political life of civil society with its political and politician-driven concretizations). What can the State do to protect species in danger of extinction when the World Wildlife Fund (WWF), thanks to the millions it receives from the Lafarge concrete company, does this so well!
- Distinction between friendly and enemy factors, hence the development of a partisan attitude, with CSR being something that is very partisan indeed. It's better to play with the Auchan hyperstore's basketball nets than to work at its checkout stands!
- Phagocytosis (sustainable development when understood in its 'macro'-policy sense).

Thus, many elements of CSR tend to resemble the characteristics of a management theme:

- It began in the early 2000s and is still up and running. As such, it is more than a mere fad.
- It offers the support of a federating vision (not to mention a 'strategic' one, although this notion is too vague – after all, what isn't strategic?). In addition, CSR federates disparate practices by imbuing them with formal coherency (fair or ethical trade, ethical marketing, ethical funds, socially responsible investing, stakeholders reports, ethical audits and so on).
- Management methods can be reinterpreted here via a type of reporting that, aside from its financial origins, becomes both environmental and societal. Management 'tools' (like ethical charters) that preceded the theme's emergence have assumed new dimensions. New methods have arisen, like social ratings and everything that revolves around them.
- It interacts with managerial logics like governance, marked by a shift from a corporate to a global governance, increasing the frequency of shareholder militancy concretizations.
- It gives the illusion of novelty since major concretizations in terms of what we now call CSR have existed since the early twentieth century, correlatively with the development of large companies. One example are increasing donations to social causes.
- Many currently available concepts can substantiate it, like the 'stakeholder' construct.

- It also has a number of symbolic concretizations (like the *Danone Way*)
- Plus there will certainly be something left over once it disappears, given the enormous development of management practices it has provoked.

A management theme does not fall from the sky:

- Concretizations already exist for Business Ethics (with its preferred tool, ethical codes, an inwardly-focused decree formulated by top managers in large companies) and have been amalgamated with experiences gained in overcoming daily implementation problems.
- The catalytic strength of aspects like the charity business, for instance, have served as learning situations.
- Such themes are legitimized in their interactions with society (citizen reactions like anti-globalization, geographic disparities, environmental problems like global warming, the increasing 'ethicization' of policy representations with the rising legitimacy of calls for civil virtue, and so forth).

CSR also creates the ambiguities that the development of 'meaning' requires:

- It offers the support of its reinterpretation of the managerial dialectic, something emphasized by H.A. Simon (1948) when he showed how hard it is for managers to shift values between those principles that hold court in a universalist perspective and the facts one can derive from a consequentialist perspective. Here we find the importance of dilemma-based reasoning, this being one salient characteristic of Business Ethics.
- They catalyze discourses that are both partial and partisan, thereby embodying the triumph of communicational activities. Yet they do not help us to ascertain whether what this actually involves is a type of discourse that lacks elements of concretization. The *Danone Way* consists of 'really' incorporating human-rights categories into managerial outlooks – yet at the same time, yoghurt cartons spill out of our rubbish bins, and our most primitive instincts are being flattered by commercial communications that stimulate our gluttony.
- It helps companies to overwhelm the political domain, firms whose legitimacy in this field has yet to be proven. In return, this provokes a development of policy...

A management theme 'exhausts' its dynamic. So what remains to be said on this one topic, now, at the halfway point? Its concretizations have considerably burdened (and have not finished burdening) the procedural aspects of corporate functioning. This aspect has a multiplier effect when it interacts with other procedural tensions (that is, with financial accounting's perspectives). Of course, this burdening of the procedural side of things has been engaging in a dialectic tension with efficiency. And it is very probably here that its dynamic will run out of steam, an outcome that will lead to emphasis being placed on alternative themes (risk?). In all likelihood, corporate institutionalization is what validates CSR, which subsequently becomes its most poignant attribute. Due to corporate intervention in the definition of the Common Good, managerial wilfulness 'surpasses' its own vocation of existing to suggest that the omniscience of State power be replaced by the omniscience of corporate rules, in application of a dual argument of utility and efficiency. Corporate multinationals' size and power (and the cumulative power of groups comprised of such firms) lead, via CSR policies, to their becoming involved in the definition of rules for life in society.

In return, these very same companies find that they are being solicited, not because they want this but because they have no choice. Having 'replaced' State authorities (which, it has to be said, did occasionally fail in their duties, *cf.*, the developing world), they are all the more apt to undermine the conditions underlying the constitution of a State. This phenomenon is reinforced by public services' massive adoption of corporate management modes and tools. From a 'micro'-political outlook (with CSR), we have unbeknownst to ourselves shifted to a 'macro'-political vision of the definition of the Common Good. Let us not forget that the founding political act in sustainable development, as per the term's current denotation, dates from a report drafted by Gro Brundtland, who was also Prime Minister of Norway, a liberal democracy if ever there was one! And that the substance of this liberal democracy, a bastion of economic liberalism, was dialectically modified in return. Sustainable development (a 'macro'-political dimension) can easily carry CSR (with its 'micro'-political dimension) with its *bio-pouvoirs* (Foucault, 1971) by changing the contents of the Reason of State. Moreover, CSR policies' instrumentalization can also be trapped in governmentality perspectives (Foucault, 1988). Following in Foucault's wake, let's return to this term of 'governmentality' by recalling what it was that this philosopher wanted to stress when discussing the appearance of this phenomenon in the sixteenth century. Contrary to Machiavelli, Foucault dealt with power problems by stressing issues that have

nothing to do with order but instead pertain to conditioning (a return to ideology!). And what if CSR were one of the current archetypes of conditioning?

Note

- 1 The term 'agonism' derives from 'antagonism' but indicates a lesser degree of opposition. To antagonism's enemies correspond adversaries in agonism, which traces the contours of a society (or for our present purposes, of an organization) in which the quest for consensus replaces the recognition of conflict.

Bibliography

- Albert, M. (1991) *Capitalisme contre capitalisme* (Paris: Le Seuil).
- Bastide, R. (1970) *Le prochain et le lointain* (Paris: Cujas).
- Dahl, R.A. (1972) 'Prelude to Corporate Reform', *Business Society Review*, no. 1.
- Farnetti, R. and Warde, I. (1997) *Le modèle anglo-saxon en question* (Paris: Economica).
- Flécheux, L. 'Stéréotypes et préjugés: des filtres qui bloquent les relations interpersonnelles', in *Se former à l'interculturel* (Paris: Centre de Documentation Tiers-Monde, Editions Charles Léopold Mayer), pp. 15–18.
- Foucault, M. (1971) *Surveiller et punir* (Paris: Gallimard, Coll. 'n.r.f.').
- Foucault, M. (1988) *Dits et Ecrits* (Paris: Gallimard, Vol. III), p. 655.
- Friedman, M. (1971) *Capitalism and Freedom* (Chicago: University of Chicago Press).
- Fukuyama, F. (1992) *La fin de l'histoire et le dernier homme* (Paris: Flammarion).
- Habermas, J. (2003) *L'avenir de la nature humaine – Vers un eugénisme libéral* (Paris: Gallimard, Coll. 'n.r.f. essais').
- Hatchuel, A. (2000) 'Y a-t-il un modèle français? Un point de vue historique', *Revue Française de Gestion Industrielle*, vol. 17, no. 3, pp. 9–14.
- Hutton, W. (1995) *The State We're In* (London: Jonathan Cape).
- Mouffe, C. (1994) *Le politique et ses enjeux – pour une démocratie plurielle* (Paris: La Découverte/MAUSS).
- Pesqueux, Y. (2002) *Organisations: modèles et représentations* (Paris: Presses Universitaires de France).
- Simon, J.S., Powers, C.W. and Gunnemann, J.P. (1972) *The Ethical Investors: Universities and Corporate Responsibilities* (New Haven, Conn.: Yale University Press).
- Simon, H.A. (1993) *Administration et Processus de décision* (Paris: Economica).

3

A Liberal Critique of the Corporation as Stakeholders

Hervé Mesure

'The goal of philosophy is to begin with something so simple that we don't even have the impression that it's worth talking about, and to finish with something so paradoxical that nobody can believe it'.

Russell, B. (1985), *A History of Western Philosophy*

Introduction

This chapter fits into a double framework. First of all, it participates in the collective project of this book, which is to take into account and to comment upon the American foundations of corporate social responsibility (CSR) and of stakeholder theory (SHT). The intention is also to demonstrate the potential existence of a European school of thought on this subject. Secondly, this work fits into the framework of the works of the Chair DSO (Developpement des Systèmes d'Organisation (CNAM, Paris, France)) on models of organization and of management (or government) for businesses. At the heart of this chair this text participates in the establishment of a research programme that aims at showing the value of political philosophy in the analysis of the institutions of contemporary capitalism (for example the company, industries, and so on).

The text will focus on stakeholders as we consider stakeholder theory (SHT) to be the theoretical mainstay of CSR (Pesqueux, 2002). SHT is a recent theory as it emerged in the 1980s; its main, if not its only, field of application is the large corporation. Our proposal is thus to offer a philosophical interpretation of the 'stakeholders' corporation' model. Following a rapid presentation of SHT, we will explain our motivation in analysing the 'stakeholders' corporation' in terms of liberal political philosophy. This interpretation will attempt to demonstrate the conceptual

weaknesses of the 'stakeholders' corporation' model. Furthermore, this study will defend the idea that the corporation – *sue generis* – is perhaps rather less liberal than its reputation might suggest.

Presentation of stakeholder theory¹

It would appear that SHT has historical, philosophical and managerial origins. It was born and developed in the context of the economic and social changes that took place in the United States between 1960 and 2000, changes that could be seen as a return to prominence by the large corporation. With regard to its conceptual beginnings, stakeholder theory has roots based to a large extent in the American philosophical theories of development over this period. In management it was left to Freeman (1984) to provide the first formulation for SHT.

In order to speak more precisely about a field of research that has yet to become fully established we must turn to the work of Jones and Wicks (1999) who considered SHT to be characterized by a basis of shared elements. The latter relies on the definition of Freeman (1984) for whom a stakeholder is

Any group or individual able to affect, or who is affected by, the realisation of an organisation's goals. Generally-speaking, the term includes suppliers, clients, shareholders, employees, communities; political groups; political authorities (national and territorial); the media, etc.

An ensemble of principles accompany this definition, of which the most important is that 'the interests of all legitimate stakeholders have intrinsic value, and no single set of interests is assumed to dominate the others' (Jones and Wicks, 1999). Consequently, the corporation must have goals other than the maximization of shareholder profit and must thus take other targets into account. The shared basis of SHT is made up of two other categories: values and the outline for a research programme to be shared by a majority of researchers in the field. The idea of stakeholders can be used both as a concept for the analysis of organizations and as a management principle for organizations. Finally, according to Donaldson and Preston (1995) the corpus divides into descriptive, instrumental and normative research. For the purposes of this study we will concentrate on the Anglo-American normative approach.

A political interpretation of stakeholder theory applied to the corporation

Before explaining the reasons leading us to attempt a reading of SHT in terms of liberal political philosophy, we will briefly define our understanding of what is meant by political philosophy.

According to Norman (1998), the aim of political philosophy is 'developing and justifying theories or principles to evaluate institutions and practice'. From this starting point we consider that the object of political philosophy is to understand, to evaluate and to justify the government and the governance² of collective institutions.

There are two main reasons for a political interpretation. First of all, we consider SHT to be a response to the political controversy caused by corporations. For Kristol (1998):

The corporation did not seem to fit into the accepted ideology of the American people. No other institution in American History – not even slavery – has been so consistently unpopular as the large corporation with the American public... It has remained controversial to this day.

New life was breathed into this controversy over the years 1960–90. Our critique begins with a statement: *de facto*, the United States have become a society of very large organizations (Mintzberg, 1983). The idea has thus gradually emerged that if large corporations have not become the *res publica* (the 'public thing'), they are, at least, in the public realm. This idea can be split into three themes (Mintzberg, 1983). Corporations have become autonomous with regard to their societal environments. Furthermore, corporation directors are only partially controlled regardless of the methods in play. Finally, these directors may only partially control their companies as very large organizations. To summarize, the combination of environmental autonomy and the weakness of managers and directors mean that large corporations are largely answerable only to themselves. Consequently, Freeman (1984) wrote his pioneering book as an academic response to this criticism of large corporations. Freeman also took economic evolution into account – notably competition from Japan – which was affecting US large corporations over the 1970s and 1980s. These two series of elements are '*major strategic shifts in the business environment [that] require major conceptual shifts in the minds of managers*'. Above

all *'the broader question of stakeholder legitimacy and ultimately the justification of the modern corporation is beyond the scope of this present book'*.

The second reason is that modern political philosophy seems to have remained on the fringes of these central institutions of our societies that are large corporations.³ The organizational phenomenon still seems to be undeveloped in political philosophy.⁴ We thus have to think philosophically about this ensemble of intermediary public institutions such as corporations where government and governance processes are carried out.

An approach in terms of liberal philosophy

As it is impossible to use the whole body of political philosophical work in attempting to analyse corporations as they appear throughout SHT, we will begin work from liberal political philosophy as the etymology, like the historical context and the contents of SHT, suggests such an approach.

From an etymological viewpoint,⁵ we can leave 'holder' (that which holds or possesses) to one side. On the other hand, much is to be gained by looking into the semantics of the word 'stake'. The eighteenth-century meanings ('a landstake') suggest the basic rights of any individual in a society, notably property rights. The eighteenth-century connotations also include an idea of classical liberalism: that of limits – my freedom ends where the rights of others begin. With the nineteenth-century meanings ('at stake'), we introduce the notion of risk, complementary to the idea of an individual's rights. These connotations appear to return us to the concept of liberalism.

SHT appears to belong to the 'liberal moment' undergone by the United States between 1960–90 (Pesqueux, 2004). In consequence, it is hardly surprising that the term carries ideas such as the social contract, equity, autonomy, pluralism, and so on, all of which belong to contemporary American liberalisms. It does not call into question, at least not explicitly, the notion of market. Anglo-Saxon SHT authors also seem to share the conviction that an harmonious social order is possible thanks to deliberation between members or groups of different interests that make up a society. This social balance needs constant readjustment. Finally, SHT appears to us to popularize two contemporary liberal ideas that are important to its understanding in the context of the corporation. The first is an explicit questioning of the primacy of profit-maximization by the majority of researchers in the field (which does not mean a questioning of shareholding). Furthermore, even if the Anglo-American authors reveal the differences in interests between stakeholders, they appear to us to be positioned implicitly in a logic of cooperative games.

All of which leads us to liberalism, a notion that needs to be well-defined since it has so many meanings.

We define liberalism as ‘a system careful in its respect of matters of law and the freedom of initiative of individuals’ (Laurent, 1988). This definition leads us to the ‘ambitious’ current of liberalism as presented by Miller (1987/1989 article ‘Liberalism’):

Hobbes, Locke and Adam Smith consider that reason must create institutions that serve peace and prosperity and that it is within this framework that the natural passions of man must be expressed. A more ambitious current seeks to employ reason to construct a world of freedom that escapes natural constraints more comprehensively. For this liberalism, human liberty means a freedom actively to develop the person, and not merely the absence of material insecurity and of poverty. This current is associated with Benedict Spinoza, according to whom human life does not consist solely in enduring (even pleasantly) passions, but consists in free and rational activity).

Thus liberalism is any form of social or governmental (in the classical sense) organization that allows the realization of the full power of each individual and brings the individual to their full potential. Today it is accepted that Anglo-American political philosophy has breathed new life into liberalism (Kymlicka, 1990).

Among the six schools brought together by Kymlicka (1990), three appear to have influenced SHT: liberal equality or social liberalism; libertarianism; and communitarianism. Just as with these three movements, SHT rejects utilitarianism (Jones and Wicks, 1995) and one of its reference authors is Rawls (1971). To this day we have found no significant Marxist elements within the SHT corpus. Even if some authors (Wicks *et al.*, 1998) champion feminist philosophy within the SHT framework, this approach remains of interest to only a minority. Finally, we consider that these three schools share two points in common that are also inherent in SHT.

First of all, these schools appear to be fairly individualistic, notably if we identify three facets therein. At the methodological level, all are rather ‘individualist’. If the communitarians subscribe to communities of belonging with a view of achieving higher levels of anthropological realism, they do not appear to go so far as to develop the social totality, to consider the whole – the society – as superior to its parts. The level of identity concerns above all the communitarian who defends the idea that there is no individual *in abstracto*, but rather individuals who carry the values, and so on, of the communities to which they belong. The

individual – as a political category – has a basic personality (Kardiner, 1939) that is specific to this or that community. In order to consider the political one must begin from the starting point of communities. The aim is to ensure, across institutions acceptable to all the communities, that each individual becomes a unique person within (or outside) their communities. With regard to axiological concerns, it seems that these three movements consider that at the end of all politics are individuals, which qualify them to represent liberalism according to our definition. The individualism of these three movements explains their attachment to the question of the rights of man. It was with the American political philosophy of liberal inspiration that we progressed to the third generation of human rights, that is to say the ‘right to be different’⁶ (Tenzer, 1994). We are witnessing the emergence of a fourth generation of rights in the United States: ecological rights of which an echo can be found in SHT (Bucholz, 2004). In terms of stakeholders, these new rights multiply those having the right, or the potential claimants. This individualistic dimension should be associated with the second common trait of these three movements.

Secondly, these three currents appear to be in agreement on the necessity of consensus, as the pluralism characterizing our modern societies leaves them fundamentally in conflict. It is thus necessary that these conflicts should be resolved in a civil manner. The theoretical solution is the procedural process that consists in defining the rules – more or less formalized – that enable deliberation between all parties concerned by a question. Despite its initially liberal dimensions, SHT as an academic response to the political contestation of the large corporation is far from constituting a liberal theory of the latter, which will entail an interpretation of SHT according to the prisms of classical liberalism of Locke (1690) and to the three neo-liberalisms mentioned above.

A liberal critique of the ‘stakeholders’ corporation’ model

A first liberal and legal reading gives rise to four conceptual difficulties found under the SHT banner. The first concerns the existence of the company. According to Robe⁷ (1999), in most legal systems of liberal societies, the company has no ‘proper legal existence’. In the eyes of the law, it consists solely in ‘a circuit of contracts’ (*idem*). The company is consequently not an object of law *a fortiori* a subject of law. ‘This existence of the fact of the company as a unity, and this non-existence in law as such, bestows a highly particular status on the company between legality and illegality. It is the law that allows it to function in this way as a unity; but this has no official consequences for the legal⁸ recognition of this unity’ (*idem*). Thus if the company does not exist in law this

constitutes a first theoretical difficulty (even if time has polished out the asperities), especially if the importance of the 'rule of law' for liberalism is taken into account.

The question of wage employment is the second liberal and legal difficulty.⁹ The wage-earners of a corporation are employed via a contract, which is characterized by a chain of subordination. Hence, from a liberal point of view, wage employment is problematical (at least in theory) for three reasons. First of all, how can a subject positioned as the sole master of themselves, possessing fundamental and inalienable rights, find themselves in a situation of subordination *vis-à-vis* another person (physical or moral) while this type of contract has no textual basis in reason (including in the legal realm)? It is also doubtful that the 'considered method' of Rawls (1971) hangs on a principle of subordination. Secondly, nothing justifies the appropriation, even partial, of the fruits of a person's work (Locke, 1690). Finally, wage employment would prevent the individual from fully being, according to the 'Spinozian' concept of liberalism. On this question of wage employment the silence of SHT is quite deafening.

The third legal and liberal difficulty stems from society (in the legal sense of the term). This first appeared when it became necessary to gather large sums of capital together to run a company that could not be financed by an individual or a family. The solution historically has been to put together one or more 'partnerships' of financiers. This is translated by the invention of the partnership agreement in the legal sense. Robe (1999) specified 'the partnership agreement is only one contract among the ensemble of contracts serving to support the company'. Besides, the fundamental specificity of the partnership agreement is the creation of a 'collective personality... [who] becomes a new legal subject, autonomous from their associates' (*idem*). With the creation of the '*société*', it is the corporate entity who enters into a contract with the economic stakeholders; who is the owner of the '*société*'s active elements, who serves as a support to the circuits of contracts that characterize the company. This concept of collective personality was challenged by classical liberals of the nineteenth century for five reasons. Firstly, only humans have personalities. Secondly, liberalism rests on the principles of equality of rights between individuals. How can an individual, as a person of flesh and blood, be considered the legal equal of a collective personality, which is an abstraction? Thirdly, the ownership of the contract, that allows economic activity, is inseparable from responsibility; everyone is responsible for their actions. And yet how – in fact – can a collective personality be sanctioned? How can a 'moral' person be treated 'in body'? The fourth reason is that a collective personality has been considered as anti-economic as it was feared that it

would 'fix' wealth and lead to situations of – if not monopolies – at least oligopolies. Finally, it was feared that the function of entrepreneur (individual) would disappear since the individual becomes either an associate or social agent or a salaried manager. We were thus moving away from the ideal society of classical liberalism composed of individual entrepreneurs. According to Robe (1999), with the joint stock company,¹⁰ a new step was made beyond the limits of classical liberalism. It corresponds to the invention of 'limited responsibility', a problematic idea since the public limited company (PLC) questioned the principle of personal responsibility and institutionalized the irresponsibility of shareholders notably with their assets. Now, according to Robe (1999),

in the classical liberal system, the individual is responsible for what they do and consequently must make good any damages caused to third parties. From this viewpoint the idea of limited responsibility is an aberration: it is the third parties, who will not put up with the consequences of damages caused by the shareholders.

Following this review of the legal and theoretical difficulties, we will now tackle the theoretical stakes involved in the political justification of the corporation.

Certain authors in the field propose to extend the classical notion of the social contract in order to base the corporation 'in reason'. Donaldson (1982) proffered the following reasoning: 'if the political contract serves as a justification for the existence of state, then the business contract by parity of reasoning should serve as the justification of corporation'. Donaldson and Dunfee (1995) averred that the social contract aspect of SHT theory not only has to justify the corporation but also to provide the basis for everyday activities. According to Hasnas (1998) the social contract is an implicit agreement between the civil partnership and an 'artificial entity': the corporation. The social body recognizes the existence of the corporation on condition that it serves the interests of the civil society and that it 'remains within the bounds of the general canons of justice'. Hasnas (1998) specified this recognition by the fact that the political body authorizes the corporation (confused with the business) to possess and to use resources to employ members of the social body and to establish contracts with any physical or collective person. The problem with this theory of social contract – of which the application is limited to the corporation above all – is that SHT is less precise than other forms of company. If one admits that the company – in general – is an intermediary economic institution founded by means of a specific social contract (or business contract), it is also necessary to take into

account the fact that the company covers a wide variety of forms in terms of legal status. Now, is the business contract valid only for the corporation or is it valid for all legal forms of company? Is it necessary to allow a specific business contract for every type of company?

We might think that the logic of a social contract extended to the justification of the company authorizes the diversity of legal forms. Locke (1690) admitted that the 'government contract' authorizes many forms of government as long as the principle of the separation of functions is respected. Besides, one can count on the principle of tacit consent from the classical liberal theory of the social contract in considering that the 'civil society' institutionalizes many forms of company. However, this tacit acceptance is perhaps less true for Rawls (1971) as a rigorous application of his method might lead one to consider that each legal form of company (from the personal company to the PLC, passing by the cooperatives) should be the object of 'the method of considered balance'. Besides, and above all, it is by no means certain that all legal forms of company correspond perfectly to the two substantial, fundamental principles of Rawls (1971). Taking into account just what is the doctrinal basis of Anglo-American political neo-liberalism, one might think that 'personal' companies would pass beyond this stage as liberal theory and positive liberal law has no problem in categorizing the 'personal' small company. However, there is further room for doubt about all companies in the form of societies (cf. *supra*). Now, if we allow this idea, we can only be surprised about the silence of SHT concerning other legal forms likely to update – in legal terms – the idea of stakeholders. We are thinking of cooperatives and of membership organizations, forms of society that exist in Anglo-American law. In blocking the way to the study of legal statutes that allow entrepreneurial development, SHT distances itself from a general theory of the company and denies itself the possibility of researching those legal forms that might better defend the notion of stakeholders than joint-stock companies.

A more strictly political interpretation of the 'stakeholders' corporation' – one that is articulated more around the government of this form of company – sees the emergence of three major ambiguities. The first concerns the principle of the non-primacy of shareholders. In principle, the 'stakeholders' corporation' model does not give priority to shareholders as the *raison d'être* of the corporation. On this point, however, the corpus of SHT appears to be ambiguous or at least less clear than the liberal theory for which the priority accorded to shareholders is debatable. For the liberalists, the non-primacy of shareholders – and of the board of directors – could be justified by two fundamental principles of liberalism. First, a company can only be managed on the basis of

personal responsibility; and yet the shareholders are irresponsible, as they only need to take into account, at worst, the shares that they themselves possess. It would appear that this notion of personal responsibility has been revitalized by contemporary American liberals and notably by ultra-liberals such as Nozick (1988) or by Rawls (1971). The second principle is that 'property is an end to property'.¹¹ Shareholders are not the only owners who give life to large corporations. Wage-earners, for example, are owners of the entirety of their work (Locke, 1690), which in principle stops others appropriating the added value stemming from their efforts. Then, suppliers and bankers are also owners of their accounts receivable which, with solid liberal logic, are at least the equal of the stakes of shareholders or wage-earners. Finally, imagine a hotel for which its scenery and tranquillity are the main sales arguments and which has a cement factory next door. We could consider that the right of ownership of the factory proprietor impinges upon that of the hotelier, so consequently can the hotelier take his neighbour to court for damages? Furthermore, we must remember that traditionally political philosophy has rarely used property as a source of legitimacy for any institution, but rather as a condition of freedom and of the proper functioning of society. If liberal theory allows us to question the primacy of the shareholders, it seems that the corpus of SHT might be – in fact – more ambiguous despite the declaration of principle by Jones and Wicks (1995) that 'the belief in the intrinsic worth of claims of all legitimate stakeholders is fundamental to stakeholder theory'.

Managers of corporations are thus confronted with the divergent interests of 'legitimate stakeholders'. In terms of arbitration the corpus of SHT contains three principles. We begin with the principle of justice as equity (Rawls, 1971) that is supported by all canonical authors in the field. In this context of management in a situation of choice, how can this principle be translated in decisions of arbitrage between 'legitimate stakeholders'? In theory, normative SHT contends that this is a matter of decision-making processes (*cf.* the idea of procedural justice) and of contents (*cf.* the idea of substantial justice). All stakeholders must have had an opportunity to voice their opinion and none must be lost or injured. We are thus fully immersed in a neo-liberal logic even though this might appear to be difficult to implement. The two other principles are more ambiguous, as much *vis-à-vis* the principle of equality between stakeholders, as from a liberal viewpoint. Argandona (1998) led a series of authors proposing the concept of 'Common Good' (p. 1093) as a principle of arbitration. Within the SHT framework this principle appears to be positioned between the 'social interest' of the jurists and

the 'common good' of political philosophy. For the former, Hebert (2004) recounted all the varying interpretations that this notion carries. For the latter, it is worthwhile being more precise than the 'standard' SHT, notably because utilitarianism has sometimes confused the principles of social utility and common good (Miller, 1987). Consequently, there is a risk that the search for the common good of a corporation be translated ultimately by an attack on the rights of somebody as stakeholder in the name of the general equilibrium of some corporation. We are passing very close to the utilitarianism applied to the management of a corporation. Today for contemporary neo-liberalisms anything can be done, so that no harm should come to any individual. The third principle of arbitration is just as ambiguous. Mitchell *et al.* (1997) proposed a 'theory of stakeholders identification and salience' in order to specify the principle of 'who and what really counts'. To do this they proposed three criteria for the creation of a hierarchy of stakeholders in function of their circumstances. The first is power. The second criterion is the legitimacy of a category of stakeholders. The third is urgency. In fact, the application of this method returns, in our opinion, to the prioritization of the dominant shareholders on the board of directors. In effect, as Maati (1999) specified, if the shareholders are not the owners of the company, they have the right, the power and the legitimacy to revoke *ad nutum* the administrators just as the latter group can dismiss *ad nutum* the chairman or managing director. In consequence, it could be imagined that it would be the decision of a management stuck between the administrators and wage-earners in the event of these two stakeholding groups being dissatisfied with the salary policy of the company. It thus seems that this approach can restore – *de facto* – the primacy of shareholders, more precisely that of the board of directors, which we would not consider to be based on the idea of mobilized liberalism. One other, more theoretical point appears partially to support the inadmissibility of the creation of a hierarchy of stakeholders. All hierarchy creation is based upon a principle of exclusion that is to some extent problematic with regard to retained liberalism. Finally, the hierarchy creation of Mitchell *et al.* (1997) returns to the placing of the power of this or that stakeholder before any legitimacy. This comes down to making strength a principle of decision-making. Today liberalism seeks precisely to transform power into authority (as the legitimate and circumstantialized use of strength), that is to say a power based on reason and not on strength. Here we are at the fundamental source of the liberalism born in reaction to absolutism (Locke, 1690). Historically, liberalism is the refusal of domination of one person by another or of

a person by an institution. Furthermore, survival of the fittest has never been a category in political philosophy that provides the basis – in reason – for a decision or an institution. These same inadequacies can be found in the question of the legitimacy of management according to SHT.

The standard corpus of SHT provides the basis for the legitimacy and authority of the management of ideas of univocal or multiple trust. In the context of the corporation as Public limited company (Plc), the univocal trust is – *de facto* – the board of directors that entrusts the company assets – as an artificial person – to the managers with the proviso that they don't make 'proper use' of them, but rather a particular use as agreed with the administrators. The question thus becomes: do the administrators have the legitimacy to transfer an artificial person's assets that – in strict legal logic – do not belong to them (Robe, 1999)? The notion of 'multiple trust', SHT's own (notably Freeman, 1998), comes back to the contention that these are all stakeholders confiding assets to managers – those of the artificial person – that do not belong to them in law. It seems that here are a few juridical aphorisms that should be left to the legal eagles. Frustratingly, we conclude from this that the notion of trust proposed by SHT cannot be retained as a basis for the legitimacy of the management. From a liberal point of view, the idea of trust indicates the legitimacy of managers as based on the confidence held in them by the legitimate stakeholders. Meanwhile, for classical liberalism (Locke, 1690), confidence in the government results from its legitimacy. It does not provide the basis for it. Besides, within the framework of normative SHT it is the managers who are invited to define the legitimate stakeholders. Transposed to the political, this signifies a form of government in which the executives designate those who appoint them. From one political philosophical viewpoint this is a circular, not to say fallacious argument. In conclusion, the legitimacy of corporation managements can come from neither the property of shareholders nor from a potential multiple trust. SHT – despite itself – clouds more than it clarifies the legitimacy and authority of managers, which is all the more problematic in that they benefit – *de facto* – from considerable powers notably because they are a major stakeholder. From the classical liberalism point of view the question is one of the domination that insinuates itself between the authority and the power of fact.

The notion of stakeholders applied to the governing bodies of the corporation as a Plc reveals other missing elements in the SHT corpus. To illustrate, we will attach the question of the sovereignty of the general assembly to the framework of the corporation in the form of the PLC.

From a legal-political point of view, within the framework of the classical corporation, it is the general assembly of shareholders, as the body of government of the corporation, that is sovereign.¹² But what becomes of such a wholly theoretical diagram within the framework of the 'stakeholders' corporation'? It would appear to be relatively logical, taking into account the fundamental principles of SHT, to affirm that the sovereignty of shareholders becomes problematical. If we admit, along with Freeman (1994), that the ultimate goal of a 'stakeholders' corporation' is to be managed for the benefit of 'its stakeholders, defined as employees, financiers, customers, suppliers and communities', is it logical that final decisions rest only with shareholders gathered in a ruling body when the primacy of the property of shareholders is debatable in law and in liberal theory? Why should the other 'stakeholders' not take their place in the general assembly? Within the SHT framework this poses questions about the legitimacy and the composition of the general assembly of the 'stakeholders' corporation'. Besides, even with a general assembly that include the other stakeholders,¹³ in whose name should such a general assembly be decided? In the name of the social interest? How should this be defined in such a context? In the name of the common good of all stakeholders? But which is it? Is it the point of equilibrium between the different or divergent, not to say antagonistic interests of stakeholders on the condition that this point does not disadvantage any of them? In the name of the general interest? These are all questions to which the answers do not exist to our knowledge in the SHT literature, and will not for as long as it concentrates on general ideas without seeking to put them to the test – an avoidance that affects its scientific functionality. Finally, it also seems to be that the 'stakeholders' corporation' model relaunches the question of the corporation as potential object or subject distinct from all the 'stakeholders'.

What is the political nature of the 'stakeholders' corporation'?

Having concentrated on stakeholders, we have neglected the 'corporation' as organization or as artificial person, as potential autonomous subject. This leads us to the threshold of the political nature of the 'corporation'. In attempting to outline the political nature of the 'corporation as stakeholder' we will employ the categories proposed by SHT and contemporary liberal political philosophy in considering the intermediary institutions. Two notions appear worthy of retention: that of the community and that of public space.

SHT implicitly contends that the corporation as stakeholder is a subject (or object) distinct from the social body and from the stakeholders of which it is composed. Furthermore, this specific subject or object has a unity. For SHT 'the stakeholders' do not constitute a crowd. Thus there is something in addition to the stakeholders that could form a community, an idea that has been relaunched by communitarianism.

We must specify that the latter proposes no consensual definition for the notion of community so we will borrow that of Vattimo (2002). This is an ensemble of subjects linked by one or several factors of different natures (ethical, territorial, linguistic, religious, economic, and so on.), factors that lead these subjects to have increased relations between each other than with the other members of the society. The specific characteristics of a community are the development by its subjects of a specific identity, of a heightened feeling of belonging to the community and the presence of lines of solidarity. Taylor (1997) added the quest for a shared ideal such as the search for the common good. This definition of community applied to the 'stakeholders' corporation' signifies that all the 'stakeholders' of which it is composed 'belong' more to the 'corporation' than to other communities. We would thus be very close to the concept of organizational culture developed in Organization Theory. It seems that this approach returns to theorizing social links, principally on the basis of economic phenomena such as work, production and consumption. At the normative level, this leads to considering the economy as an ideal. Today work and enrichment are means for classical and contemporary liberals, and not an end in themselves. It appears to us that the 'stakeholders' corporation' as a community – in its normative version – should be translated, if updated, by a shift in the finalities of (neo) liberalism including in its communitarian version.

The idea of public space was introduced by Habermas (1962/1978) who defined it as the ensemble of interpersonal and social relations through which a living and diverse political message emerges and is broadcast throughout society. To our knowledge, the idea of public space associated with the 'stakeholders' corporation' emanates from European bodies, more specifically from Gomez (2003) for whom 'the large corporation becomes a public space because the ownership is disseminated around the public'. This approach inspires two commentaries. Gomez (2003) began from a presumption, which is that of popular shareholding. Because the ownership of shares is no longer the preserve of rich individuals or financial institutions, the individual shareholders, through their diversity, would be capable of ensuring the

prevailing of points of view other than that of strict financial logic. It seems that the practice might have invalidated this idea since the small shareholders distinguish themselves less by the finalities that they defend than by their means of action in order to make their voices heard. To summarize, we remain in a schematic – management–board of directors–shareholders – from which SHT is trying to escape. Nevertheless, if we retain the proposal of Gomez, we can put forth the idea that the ‘stakeholders’ corporation’ would be a social isolate in which a living, diverse political message would circulate between the stakeholders. Today, in the same way, citizens are turning away from a public space that has been colonized by the media and ‘other institutions of confiscation of the right to speech’ (Ruby, 1996). Thus we cannot get away from the hypothesis that the right to speech (or to be heard) by stakeholders has been, if not confiscated, then at least interpreted by experts (such as account commissioners). Consequently we are talking about a media-ized, formalized, normalized voice that appears to be pretty far removed from one that is living and diverse. Despite these obvious limits, this notion of a public space has the merit of pointing out the conditions and means necessary to allow stakeholders to deliberate between themselves. It also signals that a ‘stakeholders’ corporation’ would be an intermediary institution where word is allowed to circulate freely.

To close this final section dedicated to the political nature of the ‘stakeholders’ corporation’, it seems that these notions of community and public space have a narrative value above all, and that, at best, they can serve as a point of departure for reflection in terms of political philosophy on the nature of the corporation as an intermediary institution. This leads us to a general conclusion that will, in part, hinge upon the gathering of the elements necessary for such a reflection, guided by the liberal analysis that we have just led on the ‘stakeholders’ corporation’ model.

Conclusion

At the end of this attempt at a liberal interpretation of the ‘stakeholders’ corporation’ what can we retain from it? First of all, it would appear pertinent to highlight that the principle of non-primacy of shareholders just like that of the trustworthy legitimacy of the managers, which are two major principles of ‘stakeholders’ corporation’ theory, do not come out of this study reinforced. With regard to such questions, SHT seems to us to be characterized by imprecision and ambiguity. What is more, the theory of the social contract, which concerns only a section of the

SHT corpus, seems to appear as though it would benefit from being extended to encompass all legal forms of company if only to define those that appear to be the most appropriate for the actualization of the principle of equity between the 'stakeholders'.

Subsequently, this study, even scanty, convinces us that that the legal and theoretical (at least according to the liberalisms selected) bases of the corporation are somewhat shaky. Thankfully for the business community they are supported by the 'spontaneous order' of social and economic history. Despite everything, we cannot completely ignore the hypothesis that the large corporation runs up against the principles of a society based upon individuals who are free and equal in the eyes of the law.

All this underlines the work remaining at the heart of liberal traditions to consider intermediary economic institutions such as large corporations as much in theoretical terms as in their incarnation in the form of a legal status. Consequently, what could the main lines of the 'stakeholders' corporation' be within the framework of liberal political philosophies? We can offer two that seem to have emerged over the course of our study. It appears that any theoretical study should be as much a research on just what this type of company is (and on its finalities), as a reflection on the limits that might constrain the action of this organized form of collective action. This is about formalizing in reason, clearly and vigorously, that which the 'stakeholders' corporation' should not be or cannot do. In this line of logic at least five concepts of political philosophy can help us: equity, precaution, responsibility, deliberation and that of 'corporation punishment' (Rafalko, 1999). Secondly, it appears that such a theoretical work cannot help but take into account the question of the legal statutes of collective entrepreneurial action. In this regard we are convinced that not all legal statutes are equivalent in terms of the fundamental ideas of liberalism. There even exists a paradox in stating that the public limited company, which is the status associated with 'liberalism' to the point of becoming almost synonymous, is perhaps that which is the most a-liberal, or non-liberal.

Notes

- 1 This presentation of SHT owes a great deal to Maria Bonnafous-Boucher with whom we are currently preparing a book on stakeholder theory to be published by Editions La Découverte. This text is also based on 'A liberal critique of the corporation as stakeholders', Working Paper, Groupe ESC Rouen, 2005.
- 2 Defined by Bonnafous-Boucher (2004) as 'the set of rules and practices – whatever the organization – that are in gestation, into test and that are the subject of continual compromise. The governance – contrary to government – is characterized by its compromise, always to begin again, between the different

actors that produce rules – as if the stability of government principles were not only historical (and thus provisional) but uncertain. Thus governance, in the plurality of its significations, or its forms, manifests firstly a permanent reconsideration of government foundations. This reconsideration gives rise to a power struggle between governances, to a rivalry between sovereignties' (mimeo, Paris, CNAM 2004).

- 3 We consider this idea to encompass all public or collective institutions (for example, communities, public space, organizations, etc.), as opposed to natural institutions such as the family or long-established, 'universal' public institutions such as the State, the Law, etc. In contrast with the latter examples, they do not concern all the members of a single society, but only some of them. However, they can be the location of the phenomena of government and of governance.
- 4 In contrast, the organization (the large corporation) has been extensively theorized by neo-institutional currents or by US economic sociologies that were developed in parallel.
- 5 This section owes much to J. Elliot (ed.) *The Oxford Paperback Dictionary and Thesaurus* (Oxford: Oxford University Press, 1997) and J.A. Cuddon (ed.) *The Penguin Dictionary of Literary Terms and Literary Theory* (London: Penguin Books, 1992/1996).
- 6 The first is that of political rights (Declarations of 1776 and 1789), the second is that of economic and social rights of the 1950s (cf. Lockack, 2002; Wachsmann, 1995).
- 7 Doctor of law, corporate lawyer registered at the bar in Paris and New York.
- 8 Underlinings by Robe (1999).
- 9 Note that these two first difficulties do not only concern the corporation.
- 10 Which is the most common legal form within corporations.
- 11 A formula popularizing the concept of Locke (1690), and which was taken up by Proudhon (1865) in his book, *The Theory of Property or Research on the Principle of Due Law and Government*. The latter adds, still highly 'Lockian', that: 'property is the greatest revolutionary force that exists and that can be opposed to power'.
- 12 We insist on the limits of our approach that consists in transferring the concepts expounded for consideration of the institutions of the society to the study of an intermediary institution such as the 'corporation' regardless of whether this might be as a stakeholder. However, these limits have the merit of underlining the need for political concepts *ad hoc* in order philosophically to study the most powerful companies: the multinationals.
- 13 In their entirety as for the shareholders or as a representation, but according to which procedures?

Bibliography

- Argandona, A. (1998) 'The Stakeholder and the Common Good', *Journal of Business Ethics*, vol. 17, pp. 1093–102.
- Boaz, D. (1997) *Libertarianism* (New York: The Free Press).
- Bonnafous-Boucher, M. (2004) 'Quelques enjeux philosophiques de la Corporate Governance: le propriétéarisme de la théorie des parties prenantes', *Corporate Governance*, vol. 5, no. 4.
- Buchholtz, R.A. (2004) 'The Natural Environment: Does it count?', *Academy of Management Review*, vol. 18, no. 2, pp. 130–3.

- Donaldson, T. (1982) *Corporations and Morality* (Englewood Cliffs, NJ: Prentice Hall).
- Donaldson, T. and Dunfee, T.W. (1994) 'Toward a Unified Conception of Business Ethics: Integrative Social Theory', *Academy of Management Review*, vol. 20, no. 1, pp. 65–91.
- Donaldson, T. and Preston, L.E. (1995) 'The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications', *Academy of Management Review*, vol. 20, no. 1, pp. 65–92.
- Freeman, R.E. (1984) *Strategic Management: A Stakeholder Approach* (Boston: Pitman).
- Freeman, R.E. (1994) 'The Politics of Stakeholders Theory: Some Future Directions', *Business Ethics Quarterly*, vol. 4, no. 4, pp. 414–20.
- Freeman, R.E. (1998) 'Stakeholder Theory', in C.L. Cooper and C. Argyris (eds), *The Blackwell Encyclopaedia of Business* (New York: Blackwell Publishing).
- Gomez, P.-Y. (2003) 'Jalons pour une histoire des théories du gouvernement d'entreprise', *Finance Contrôle Stratégie*, vol. 6, no. 4 (December), pp. 183–208.
- Gomez, P.-Y. and Korine, H. (2003) 'Democracy in Corporatia. Tocqueville and the Evolution of Corporate Governance', EMS LYON, Working Paper no. 2003/100.
- Gray, J. (1995) *Liberalism* (London: Open University Press).
- Habermas, J. (1962/1978) *L'espace public* (trad. Fr. Paris: Payot).
- Hamas, J. (1998) 'The Normative Theories of Business Ethics. A Guide for the Perplexed', *Business Ethics Quarterly*, vol. 8, no. 1, pp. 19–42.
- Hebert, S. (2004) 'L'approche de la Responsabilité Sociale des Entreprises en droit des sociétés', Séminaire CNAM LIPSOR- CDC, Paris.
- Jones, T.M. and Wicks, A.C. (1999) 'Convergent Stakeholders Theory', *Academy of Management Review*, vol. 24, no. 2, pp. 206–221.
- Kristol, I. (1975) 'On Corporate Capitalism in America', *The Public Interest* (Fall), pp. 124–41.
- Kymlicka, W. (1990/2003) *Les Théories de la justice: une introduction* (Paris: Editions La Découverte/Poche).
- Laurent, A. (1998) *Les grands courants du libéralisme* (Paris: Armand Colin).
- Locke, J. (1690/1984) *Traité de Gouvernement Civil* (Paris: Garnier Flammarion).
- Lockack, D. (2002) *Les droits de l'homme* (Paris: Editions La Découverte, Coll. 'Repères').
- Maati, J. (1999) *Le gouvernement de l'entreprise* (Bruxelles: De Boeck Université).
- Miller, D. (1987/1989) (ed.) *Dictionnaire de la pensée politique: hommes et idées* (Paris: Hatier).
- Mintzberg, H. (1983) *Power In and Around Organizations* (Englewood Cliffs, NJ: Prentice Hall).
- Mitchell, R.K. Agle, B.E. and Wood, D.J. (1997) 'Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts', *Academy of Management Review*, vol. 22, no. 4, pp. 853–86.
- Norman, W. (1998) 'Inevitable and Unacceptable? Methodological Rawlsianism in Anglo-American Philosophy', *Political Studies*, XLVI, pp. 276–94.
- Nozick, R. (1974/1988) *Anarchie, état et utopie* (Paris: Presses Universitaires de France).
- Pesqueux, Y. (2004) 'La théorie des parties prenantes en perspective', Séminaire CNAM LIPSOR- CDC, Paris.

- Pesqueux, Y. and Biefnot, Y. (2002) *L'éthique des affaires: management par les valeurs et responsabilité sociale* (Paris: Editions d'Organisation).
- Proudhon, P.-J. (1840/1985) *Qu'est-ce que la propriété? ou Recherche sur le principe du droit et du gouvernement* (Paris: Garnier-Flammarion, Coll. GF).
- Rafalko, R.J. (1999) 'Corporate Punishment', in C.L. Cooper and C. Argyris (eds), *The Concise Blackwell Encyclopaedia of Management* (New York: Blackwell Business).
- Rawls, J. (1971/1987) *Théorie de la Justice* (Paris: Editions du Seuil).
- Robe, J.-P. (1999) *L'entreprise et le droit* (Paris: Presses Universitaires de France, Coll. 'Que Sais-Je ?').
- Ruby, C. (1996) *Introduction à la philosophie politique* (Paris: Editions La Découverte, Coll. 'Repères').
- Russell, B. (1946/1985) *A History of Western Philosophy and its Connection with Political and Social Circumstances from the Earliest Times to the Present Day* (London: Unwin Paperbacks, Coll. 'Counterpoint').
- Taylor, C. (1987) *La liberté des Modernes* (Paris: Presses Universitaires de France).
- Tenzer, N. (1994) *Philosophie politique* (Paris, Presses Universitaires de France, Coll. 'Premier Cycle').
- Vattimo, G. (2002) (ed.) *Encyclopédie de la philosophie* (Paris: Le Livre de Poche/Garzanti, Coll. 'Pochothèque').
- Wachsmann, P. (1995) *Les droits de l'homme* (Paris: Dalloz, 2nd edn).
- Wicks, C. Gilbert, D.R. Jr. and Freeman, R.E. (1998) 'A Feminist Reinterpretation of the Stakeholder Concept', *Business Ethics Quarterly*, vol. 5, no. 4, pp. 475–98.

4

Stakeholder Theory and Normative Approaches

Pierre Kletz

Introduction

Since Freeman's seminal text of 1984, corporate stakeholders have not only progressively become a main topic in management sciences but also a benchmark in large firms' discourses about their activities. The end effect has been to make people almost forgot that up until recently companies were able to exist without any reference being made to the possibility that entities lying outside of their legal borders could be invited to wield some influence over their management. A historical example can elucidate how far we have come in this respect.

During the winter of 1948–49, the city of Bordeaux provided the setting for a very curious incident of coal theft. Along Bordeaux's docks was some land belonging to a company that used this area to store and sell fuel. Dockers would carry bags of coal from an unloading zone to a warehouse. Coal dust filtered continuously out of their bags, ultimately covering the entire site. The company owned the coal and the walkway, but was prohibited from closing the latter off due to local residents' right of passage.

In the heart of winter, women, notably dockers' wives who were often to be found in the neighborhood, would bring knives and pickaxes to scrape off the coagulated coal dust that had accumulated along the walkway for so many years. They were prosecuted for theft, causing an enormous outcry. The defendants felt that usage rights (in this case, the right of passage) and ownership rights were related. Above all, these were poor people and they and all their family members had been suffering from the winter cold. They were scandalized by the fact that the coal dust had been left 'lying around' when they needed it so badly. Lastly, they thought it ridiculous that the company claim rights over

the spilt coal since it had been allowing the dirt to gather in the first place, without seeking to make any use of it.

The company's representatives had a very different view. First of all, their starting principle was that they were accountable to their board of directors and shareholders, and to them alone. They viewed themselves as guardians of rights that had been delegated to them, and which they therefore could not yield. Above all, they considered the potential undermining of property rights to be an unthinkable proposition. In their eyes, these rights were fundamental, and had to be defended against a rising threat they viewed as the thin edge of a wedge.

Applying the letter of the law, the court found the 'thieves' guilty but gave them minimum sentences. It ruled that damages would have to be paid to the company, but refused to sentence anyone to prison.

This affair occurred in France just 50 years ago. Note that during this entire episode, the company's management constantly affirmed that it was accountable only to its shareholders, being the sole parties with the authority to judge corporate actions.

We have certainly come a long way from this long lost era.

Stakeholders as a call for the acceptance of responsibility

A study of the normative aspects of the concept of responsibility should highlight the misunderstandings caused by management sciences' traditional depiction thereof. It is often said that stakeholders 'can be a nuisance' (or have the potential to be nuisance) to companies' decisions or actions. Managers seem to feel, in this one area, that stakeholders have the peculiar tendency of 'inviting themselves' to a table from which they are excluded. This runs counter to a political scientist's or a sociologist's vision of the same stakeholders construct. In these latter two disciplines, stakeholders are deemed to represent a 'state' – in case of a conflict, for example, they are seen as being consubstantial with this. In management, however, firms are assumed to be capable of functioning without stakeholders (other than shareholders, executives and employees) being invited to participate in company life.

Although we accept that the stakeholder concept does invoke notions like commitment and responsibility, it is nevertheless useful to recall that the latter element 'befalls' a subject, in the sense that it does not necessarily result from some sort of wilful process. The experience of responsibility is key to leading a moral life. As Rauh (1900) stated in his now classic analysis, responsibility is the basis of all militant action. Any commitment to a given level of universality or to a situation, in the

existentialist sense of the term, infers the presence both of an actor and also of a whole set of human and material conditions that will be transformed by the said individual's actions, thereby causing changes that s/he will have authored.

The concept of responsibility has no meaning outside of our existence as members of a collectivity. We are finding ourselves interlaced with one another in a world we have neither desired nor chosen, a world that we are forced to accept as it is. Subjects can choose between acting or not acting, but they cannot hide from the requirements of the situation in which they find themselves. Being responsible consists of finding oneself in a situation where the decision to act or to abstain affects not only the protagonist of such a decision but everyone around. As the philosopher Pascal said, 'We have all joined the game. We can either put our money on the red or on the black, but in any event we can only play once.' When the youth of 1914 threw itself into the First World War, some felt what the author Guehenno called the scandal of the human condition: 'We entered a fatal and violent world, more as people experiencing their lives than as people living them'. In other words, it was possible for Guehenno and his comrades to be soldiers or deserters, but not citizens of a country at peace. Circumstances constituted a collective trauma from which they could not extract themselves. Their destiny evokes a relatively widespread expression that requires careful analysis, 'freely accepted responsibility', a term used notably by the author Saint-Exupéry to oppose volunteers and adventurers, on one hand, with ready-made or everyday people to whom everything (family, national and social responsibilities) is handed on a platter, on the other.

There is little consensus on Saint-Exupéry's outlook. It is widely accepted that, to a certain extent at least, responsibility is not freely consented but forced upon a subject. Thus, management's attitude towards a stakeholder system in which consumer rights activists, State authorities, customers, and so on, force certain responsibilities upon the members of a company, would not be out in place in a classical analysis of responsibility.

This can be further underlined by studying the etymology of the word 'responsibility'. The Latin word *respondere* means either responding to a situation and appearing in court to face an accusation, or answering the call of a person or cause and taking part in an action for which everyone's assistance is requested. The ambiguity of this responsibility concept stems specifically from the idea that there are two sides to the solidarity networks to which subjects commit themselves. Subjects live

in a society of persons to whom they provide assistance, be it at an individual, multiple or group-wide basis – but this social existence is not only private in nature. It is subordinated to a political organization, a State that establishes legal rules that may or may not comply with moral rules. The duality between society and the State does not prevent these two spheres from interacting, but it does infer that alongside individual or organizational responsibility, such as this manifests in commitments people can either accept or refuse, exists another form of responsibility that will be attributed on the basis of a code whose customary or written formulations will reflect the materiality of the act in question.

All of which helps us to understand why firms' longstanding sense of legal responsibility is now being paralleled by a social responsibility that is extraneous to all legal frameworks but which leads social entities (stakeholders) to demand accountability from firms.

Stakeholders as a call to duty: between constraints and obligations

For a long time, the notion that stakeholders other than those who legally belong to a company (executives, shareholders and employees) could take some stance regarding its activities seemed to run counter to the very idea of corporate economic freedom. This certainly did not imply that companies were dispensed from having to fulfil their duties. The point was simply that such duties could materialize either as constraints or obligations. Constraints have always been accepted in the field of management (think about constraints associated with maximizing given functions, like operational research, stock or production management, and so on). Obligations, on the other hand, have often been considered extraneous to management, both for organizations and for the persons working in them. More specifically, obligation used to be presented as something irrelevant to the assessment of an individual's actions within an organization. The difference between obligation and constraint is the focus of Aragon's *Les Voyageurs de l'Impérial*, a tale showing how daunting people find moral action, as well as their willingness to continue pursuing their own spontaneous desires as they try to cope with the exigencies of their environment. Aragon drew a broad picture of one Mercadier, a man living half from his rents and half from his teaching job, and who is singularly focused on protecting his sense of personal tranquillity as well as his stock portfolio. The fact that his friend and colleague Mayer suffers from

racist and anti-Semitic insults, and that many other people around him are also experiencing pain, means very little to him. In the end, however, all of these events do bring him out of his shell, forcing him to commit himself and spend time and money on advancing to other people's well-being. Mercadier ultimately begins to see himself as a free man, one whose freedom means an absence of obligations. His moral conscience is given no chance to weigh upon his life, or to yield to all of the instincts and habits that constitute its fabric. Surfing gently on the waves of his prefabricated future or his past, he eschews all opportunities to live in the present of the world in which he finds himself.

The absence of external obligation does not at all mean, however, that Mercadier is free from all constraints. Seeking to avoid any 'hassles', he obeys his wife and the director of the school where he teaches, not because he wanted to please anyone or to get on with his job, but to avoid problems in his family or professional life. One need not be a great psychologist to explain (or better still, predict) Mercadier's behaviour. An absence of obligation does not signify an absence of determinism. Mercadier's conduct is governed by laws that are as stable as the laws of nature are. For him, water truly does run downhill.

In short, constraint can resemble an external pressure that is being exerted in an attempt to force a given behaviour upon a subject, one that s/he would not have chosen spontaneously. Necessity can be confused with a determination of our acts by forces that will be either internal or external in nature, and which will serve to generate our behaviour, thereby rendering it predictable. As for obligation, this is the feeling that one is in the presence of a duty, a morally good action that offers up its own self-representation, but which does not inevitably require fulfillment. A narrow conception of freedom would be to accept constraints and reject obligations. In this respect, management models itself after physical sciences, construing constraints as an expression of the world's great laws, those that prevail at all times and in all places, and from which it would be absurd to try to escape. For instance, competition rules, market price-setting, union resistance and so on should all be seen as constraints that have to be accommodated. On the other hand, in this approach it might be unacceptable for a company to be held accountable for demands made for wilful reasons. In short, the emergence of a stakeholder construct corresponds to the abandonment of a naturalist model, to be replaced by an acknowledgement that companies' actions are determined by the context in which they are immersed.

Expressed differently, the idea of social corporate responsibility represents the sudden advent of a Kantian approach in management sciences. One should submit to duty for duty's sake, and to rules for rules' sake.

The first attribute of a duty is that it entails actions whose success may not be satisfactory to any of its executants, whether in terms of their plans or their spontaneous proclivities. In the words of William of Orange, 'Initiative has absolutely no need of hope, like perseverance does not require success'. To rephrase an example that Kant used, it is my duty to help a drowning man, even when it is not at all certain that I will be able to save him from the danger he is facing. Kant went as far as to affirm that the goal being pursued, in this one instance saving my neighbour's life, possesses no specific moral value. If I jump into the water because I feel friendship for him, the gesture will have some emotional meaning. But I will be doing it to preserve a life in which I am interested, because I want to continue taking walks and having conversations with him. Otherwise, 'representing a law to oneself and turning this representation (rather than any expected outcome) into the determinant of one's will is what creates that excellent product that we sometimes call morality'. Acting for duty's sake is not at all the same thing as yielding to one's own sensitivities, however good and generous they may be. It means acting in compliance with the law, such as it exists in human reasoning. Kant saw duty as a categorical imperative; that is, an order given to someone to accomplish an act because said act contains, within itself, its own moral value. Inversely, all sensitivity-related imperatives are hypothetical in nature. Duty orders me to save my neighbor, regardless of my relations with him. Friendship or pity would produce the same external outcome, but what would happen if he and I were fighting about the borders between our two properties? In short, stakeholders create their own vehicle to remind firms of which corporate obligations have to be fulfilled. It is stakeholders' multiple nature that ensures the differentiation of their objectives and explains why the duties they bring to companies' attention cannot be enunciated in terms of any one single objective.

Traditionally, the justifications for corporate social possibility revolve around two axes:

- A managerial approach in which responsible behaviour is considered synonymous with good decision-making by the firm. Here there is a belief both in the existence of great laws that govern a moral world, and also that such laws, in line with the laws of physics, will have a definite outcome. Choosing responsibility means making the right decisions.

- A regulationist school of thought that stresses dysfunctions in the economic and social systems and market institutions. Here the call for responsible behaviour is synonymous with the search for decisions and actions capable of generating conditions conducive to optimally functioning markets and economic institutions. What this means is that regulationists are returning to the terms of a Durkheimian approach in which firms are basically obliged to accept joint rules. Kant explains the presence within ourselves of a categorical imperative by the existence of a universal 'practical reason'. Durkheimian sociologists, however much their interpretation of the world differs from the Kantian vision, depict duty at the experiential level in a similar vein. In their opinion, guilt results neither from the contents of an act nor from the feeling that inspired it, but 'from the fact that the act does not comply with a pre-established rule'. Moral laws must be obeyed 'because they command and connect us to ends that are greater than ourselves'.

Responsibility as an external constraint that generates improved competitiveness

Most authors who want to establish that a correlation exists between ethics and performance are very interested in the image that the general public has of the corporate sector. This theme is more or less novel, seeing as just 15 years ago management literature contained no references to it. Some observers have noted that 'society's influence on companies' frequently turns into a relatively vague topic of research; that the channels via which this influence is wielded can be very difficult to spot; and that this state of affairs merely encourages a few highly successful authors (examples below) to wax lyrical.

For the purposes of this chapter, we will start out by distinguishing between two different approaches to these problems:

- A passive approach emphasizing the need for a company not to find itself at cross purposes with society's expectations, the purpose being to prevent any pressure groups or legal institutions from interfering with the company's activities.
- An increasingly active incorporation of constraints born out of changes in dominant social values. This is a plea for undertaking activities that are in harmony with such values, a school of thought that stresses the benefits to be derived from letting everyone know that the company is behaving thusly.

A passive approach towards a social expectation

There is widespread acceptance that managerial thinking has to incorporate dominant social values, and Moussé (1992, p. 63) stresses the necessity for good managers to look beyond mere economic performance:

It is the level of the values at stake that will determine the new dimension of rationality ('Wertrational'). The decision-maker who takes account of this second level will be acting on the basis of a wider rationality, one that includes society's values, to which we can also add cultural, political and macroeconomic elements.

And yet, one consequence of the partial loss of our societies' basic yardsticks is that our understanding of what constitutes moral behaviour has been blurred. This is a domain that no longer seems to feature any absolute referents – which is why some authors share the opinions of Le Net (1994, p. 30), for whom 'ethics is not at all an absolute value. It is circumstantial, in that it is connected to a given individual, civil society and company'. Thus, and even though social pressures are often described as being the source of companies' quest for higher ethics, the same pressures can sometimes make immoral behaviour or decisions appear quite tempting.

In historical societies that shift less frequently, whose social regulation mechanisms are not being constantly subjected to change and where existing social rules are more permanent, there are fewer opportunities to fall prey to immorality. This is the meaning of Pasquero's response to the question (1989, pp. 105–6):

What are the causes of the different types of ethical problems that companies now have to face? There are many different causes, ranging from market imperfection (notably unequal access to information and the presence of externalities, like the costs that a company will impose upon a third party without offering anything in return); ongoing uncertainty as to the nature and legitimacy of the ethical norms that must be respected; certain erroneous beliefs by managers, for example, that they are acting in the best interests of their company, that they will never be found out or that the company will protect them in case they are caught in the act; the example of one's colleagues or hierarchical superiors; the constant pressure to produce good short-term results; and employees or executives' personal shortcomings or frustrations.

In other words, it is the very functioning of economic institutions, and more generally of society, that creates 'grey areas' (Zinoviev, 1990) marked by total ambiguity regarding the meaning of Good. At the same time, in a framework where uncertainty plays an ever-greater role, it has become increasingly farfetched for firms to be viewed as closed and autonomous social systems, like Taylor or Fayol used to do.

A multitude of company-external actors are capable of revealing company-internal phenomena. Their 'nuisance value' for a company's image (hence for its bottom line) is recognized by many authors who have gone as far as to suggest models for triggering social pressures that can be brought to bear on a company. These models agree with the hypothesis put forward by Pasquero (1980), according to whom it frequently occurs that 'reactions to the external effects of a company's activities will follow a process involving a progressive sensitization of various groups of actors', beginning with the involvement of 'actors quite distant from the company who recognize these negative externalities before blowing them out of all proportion, provoking the emergence of social pressures. Then come protagonists from the firm's immediate environment, parties who formulate intervention strategies and implement actions that impact the company.'

These intervention strategies have been covered in studies focusing on the vehicles being used to inform as much of the general public as possible about the guilty firm's supposed betrayal of the moral order. The role of public institutions (political parties, national or European legal entities, the press, voluntary associations, and so on) that 'in the absence of any response . . . will prevent the company from carrying out its plans or reaching its objectives, thus damaging its image and, more generally, its legitimacy' (Boiral and Jolly, 1992) has been noted as well, with Freeman (1984, p. 55) having even presented, within an American context, a classification of those social entities that are most likely to be a nuisance to the activity of the companies identified as immoral (Figure 4.1).

What we are seeing is 'passive' behaviour from companies that are coming under pressure from their immediate environment due to the fact that they allowed activities perceived as being immoral to develop internally. This raises a question, however, about the type of non-ethical practices in which actors external to a firm are likely to be interested. How is it that a company's external environment actually starts to focus on a problem? How can a behaviour-modulating norm be imposed from the outside? It is generally accepted that ethical shortcomings, in the field of personnel management, for example, may well

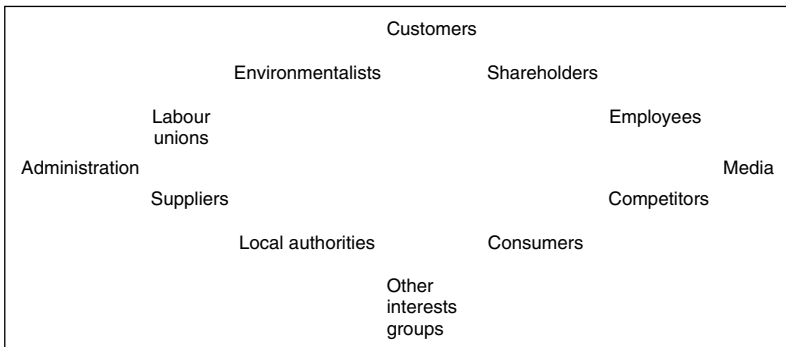


Figure 4.1 Some stakeholders
 Source: Based on Freeman (1984, p. 55).

demotivate staff members (see above), yet will not provoke any hostile manifestations from the outside world unless something extremely serious happens – as long as the pressure groups found in Freeman’s classification do not ‘hear about’ the problem.

Ackerman and Bauer (1976) have suggested a three-phase typology of hostile reactions to companies based on their perceived lack of ethics:

- 1 Actors external to the company do not undertake any significant action. Those who evoke this topic are marginalized; the regulatory framework is incomplete; and ethical behaviour issues revolve at most around economic exchanges and personnel management.
- 2 Following serious accidents or significant statistical observations, societal pressures start to build up. Customers, actors from the voluntary association or public sectors and partner firms begin taking common positions on the subject. Responses from different firms take shape, albeit in what continues to be a somewhat discretionary fashion.
- 3 Companies regularly come under pressure and are increasingly forced to incorporate the environmental impact of their activities into their thinking. In their strategic decision-making processes, firms now consider ‘new standards of moral behaviour in their business.

It is noteworthy in this respect that environmental incentives to get companies to adopt certain types of practices and to banish others do not necessarily involve negative measures. Calls for a boycott, denunciatory campaigns in the press and so on may attack a given firm, but it is also true that positive measures give companies a chance to portray

themselves in a benign light. Remember, for example, that in the United States the National Wildlife Federation's Corporate Consideration Council has been giving prizes to environmentally friendly companies since 1985. Standards set by recognized (but not necessarily a State) authorities have much the same effect. In France, green documents like the *Eco-audit*, *Eco-bilan* (balance sheet) and *Eco-label* are now being publicized by companies that find it advantageous to be seen as respecting such norms. Of course, this can also raise questions in the general public about firms that act differently. In other words, the new social demands being forged in the environmental domain can force companies to behave ethically.

In general, firms are increasingly being obliged to take full responsibility for all their actions, and not just for the way they treat staff members, partner firms, product quality and so on. Lodge and Rayport (1992, p. 39) have written that firms must now 'assume responsibility for their products' destiny, from birth to death'.

Companies can no longer afford not to pay attention to social perceptions of their practices and products. Because corporate critics have become so adept at structuring their opposition, firms usually find themselves facing a multitude of 'adversaries' whenever a dispute arises. As a result, they must 'now ensure that their practices are congruent with current, emerging and future societal expectations' (Jolly, 1991).

An active approach to constraints engendered by dominant social values

Incorporating the public's social expectations and/or environmental norms into the sphere of corporate ethics involves much more than firms merely taking a passive attitude consisting of mere conflict avoidance. Quite the contrary, and along the lines of what has been seen in areas like personnel management or partner-firm relations, some authors have tried to establish that 'acting ethically pays', seeking to prove that a firm that faces up to its social responsibilities can access new markets driven by actors who approve of such actions.

Here we are not very far from the idea that economic rationale is not the only determinant in a market, and that firms can create coalitions and alliances amongst themselves (or even with customers) to defend a common idea. Correlatively, a new thesis holds that market relationships cannot be established solely on the basis of economic reasoning. This approach to business ethics is similar to studies being currently developed by authors researching markets' political dimensions. Gelinier (1991), for example, has written,

Clued up entrepreneurs adapt their actions to the rigours of the marketplace, whilst paying attention to any signals given off by the 'meta-market' that measures the level of satisfaction/dissatisfaction within the general public and in society as a whole. The first company to offer a non-polluting product or the first organisation to take in and train unskilled young persons will be rewarded by customer preference and widespread support.

This conviction seems to be shared by other management specialists, who have provided examples illustrating Gelinier's postulate in certain very specific areas. For instance, green issues have been covered in several studies that try to show that a firm focused on protecting the environment will be rewarded by the goodwill of its many clients. De Backer has traced the backdrop to the environmental ethical constraints that companies are being asked to respect; their motivation 'must not stem from a desire for domination, destruction or antagonism' but instead 'be the logical outcome of the collective economic responsibility that will henceforth befall all actors and parties involved in ensuring our planet's equilibrium' (De Backer, 1992, pp. 14–15).

It remains that the positive fallout a firm can expect whenever it adopts ethical attitudes goes much further than a simple hope for new customers. Acceptance of the constraints associated with such attitudes can be analysed from a managerial perspective as an opportunity to improve corporate performance. In this view, any new constraint (be it external or internal) on a firm should be construed as a new challenge to overcome, one thanks to which the company has a chance to become more competitive, receptive, 'learned', and so on. As De Backer (1992, p. 260) writes, 'For the economy, the environment should not be a constraint but an opportunity'.

This is clearly a provocative way of looking at things. Of course, ethics constitute an area where those authors who are generally the most strongly in favour of a managerial vision of the firm, and who usually adopt a much more prosaic style, try to pack as hard a punch as one would otherwise expect from a good manager. Serieyx (1993, p. 249) goes as far as to write, 'Ethics means saying yes to life, movement and creation. It is a field typified by a vision of humans standing tall, acting creatively and responsibly. The yardstick for ethical actions is a combined concern for oneself, for others, for nature, transparency and exemplarity'.

It would be hard not to feel enthusiastic about such a programme. At the same time, what we should mostly be remembering is the quality of this discourse. As for the actual practices being referred to here, it is very

hard to grasp what they are. Of course, this objection is usually dismissed by authors in the field, who promise extra profits thanks to greater ethics. Ethics' discursive aspects lie at the heart of this approach. A company characterized by the quality of its ethics absolutely must let people know about what it is doing; that is, it is essential that ethics be allied with communications. This is clearly a long ways away from the purity of Kantian intentions, which hold that duty should be the only driver behind a moral attitude. It remains that in the present logic, and even if this one objection cannot be substantiated, 'Morality is an integral part of having a good image. Over time, it is impossible to maintain this image without being truly moral. Communications drag the world down a moral path, almost in spite of itself' (Etchegoyen, 1995, p. 15). Etchegoyen's perfect explanation for this logic's underlying legitimization is that if a protagonist of morality is hoping for extra gain, this will involve *a priori* choice at best, due to the fact that his/her main motivation is self-interest (which also has an *a posteriori* effect).

If a company publicizes its moral qualities, it will find it impossible not to translate this into action. Otherwise, the dissonance would be too costly. Initial motivation is not the most important thing – the (financial and moral) result is.

It is clear that corporate communications policies are strongly influenced by ethics, and especially that environmental concerns have come to the front of the stage. There are many examples of this. Daimler Benz, which greatly publicized the new plant it had inaugurated in Rastatt, a factory designed with great attention to environmental considerations ('rain water collected in the gutter system was used to plant 2,500 trees . . . even the lampposts are designed to help butterflies not to burn their wings'), 'inserted a four page advertisement into German newspapers, using recycled paper, to show pictures of little ducks swimming across the canal that cuts across the site' (Constanty, 1992). McDonald's acted similarly when it definitively abandoned plastic products for paper ones, spending \$400,000 monthly in the USA alone to inform its clients that it had decided to cater to environmental pressure groups' demands. Books and articles devoted to business ethics are full of similar examples.

Companies' incorporation of the environment into the moral determination of their actions has been turned inside out. Whereas the initial object had been to avoid being pressured because of one's ostensibly immoral practices, the goal now is to use ethics as a vehicle for external communications.

This is yet another arena in which different types of problems have been born out of the advent of certain financial dilemmas. Pasquero

(1989, p. 98) illustrates this using mergers and acquisitions, noting that hostile takeover practices that are solely motivated by financial (non-industrial) considerations create 'great risk for a company, which can lose control over the consequences of its own actions, leading to negligent behaviour that can over the long run cause it a great deal of duress. One of these outcomes is the risk of scandal...'. In the end, an arbitrage has to be made between positive immediate financial consequences and unfavorable impact on one's image. Pasquero immediately goes on to say that this should lead to a closer examination of the fallout from such operations, hence to an improvement in firms' awareness of their environment:

For a company, ethical analysis primarily consists of focusing on how its actions affect others, ultimately in order to strengthen the quality of its future relations with others. This extends far beyond simple moral thinking. Ethical analysis constitutes a veritable management tool. If carried out in a systematic manner, it can at least partially guarantee that all aspects of a merger and acquisition operation will have been examined beforehand. (p. 98)

What this means is that it is indeed possible for us to develop a better understanding of a managerial approach to ethics. Management views itself as the art of transforming constraints into induced positive factors. By applying the same logic to self-interest, we can ascertain some of the justifications driving this ethical quest. Adhering to the imperatives of doing something good can be justified by the induced positive effect of improving a company's efficiency.

Beyond this, what we also find is a procedure-based logic rather than subjugation to duty. The point is not for me to do what morality forces me to do without noticing the consequences that my action will have for me, but instead to discover thusly what is the 'best' action (in the qualitative and not the moral sense of the term) to help me reach my goals.

Note that there has never been any mention of the possibility that ethics may have absolutely nothing (be it positive or negative) to offer to the quality of management.

Bibliography

- Ackerman, R.W. and Bauer, R.A. (1976) *Corporate Social Responsiveness: The Modern Dilemma* (New York: Reston Publishing Co.).
- Aragon, L. (1992) *Les Voyageurs de l'impériale* (Paris: Gallimard/Collection folio, no. 120, 2001).

- De Backer, P. (1992) *Le management vert* (Paris: Dunod).
- Boiral, O. and Jolly, D. (1992) 'Stratégie, compétitivité et écologie', *Revue Française de Gestion*, no. 89 (June/July/August), pp. 83–6.
- Constanty, H. (1992) 'La face cachée de l'Allemagne écolo', *L'Expansion*, no. 435, pp. 89–97.
- Etchegoyen, A. (1995) *La valse des éthiques* (Paris: François Bourin).
- Freeman, E.R. (1984) *Strategic Management: A Stakeholder Approach* (Boston: Pitman).
- Gelinier, O. (1991) *L'éthique des affaires – halte à la dérive* (Paris: Seuil), p. 158.
- Jolly, D. (1994) 'Faut-il répondre aux pressions sociétales?', *Management France*, no. 76.
- Le Net, M. (1994) *Action commerciale*, no. 137.
- Lodge, G. and Rayport, J. (1992) 'L'Amérique submergée par les déchets', *Harvard l'Expansion*, no. 65.
- Moussé, J. (1992) 'Le chemin de l'éthique', *Revue Française de Gestion* (March/April/May).
- Pascal, B. (2004) *Pensées* (London: Kessinger Publishing).
- Pasquero, J. (1980) *L'entreprise face aux pressions sociopolitiques de son environnement* (Grenoble: CERAG – Université de Grenoble II, Research papers 80–10).
- Pasquero, J. (1989) 'Fusions et acquisitions: principes d'analyse éthique', *Revue Française de Gestion* (June/July/August).
- Saint-Exupéry, A. (2000) *Citadelles* (Paris: Gallimard, Poche-Roman).
- Serieyx, H. (1993) *Le big bang des organisations – Quand l'entreprise, l'État, les régions entrent en mutation* (Paris: Calmann-Lévy).
- Rauh, F. (1900) *Psychologie appliquée à la morale et à l'éducation* (Paris: Hachette, 1st edn).
- Zinoviev, A. (1990) *Les hauteurs béantes* (Paris: Robert Laffont, Coll. 'Bouquins').

5

Institutional Roots of Stakeholder Interactions

Sibel Yamak

Introduction

Corporate social responsibility is often studied through the lens of stakeholder theory. Although the initial studies in this tradition (Donaldson and Preston, 1995; Swanson, 1999; Jones and Wicks, 1999) have focused more on bringing together descriptive, normative and instrumental parts of the theory, a recent concern has emerged for better understanding of the processes and outcomes related to stakeholder relationships (Mitchell *et al.*, 1997; Harrison and Freeman, 1999; Agle *et al.*, 1999; Friedman and Miles, 2002). In one of the studies following this trend, Harrison and Freeman (1999) point to the need to both identify differences within stakeholder groups and to understand the overall stakeholder relationship as a many-sided, complex phenomenon of corporate social responsibility. However, in a recent study, Friedman and Miles (2002) claim that the focus in many studies is still on defining the stakeholders of the firm, rather than the dynamics of the organization/stakeholder relationship. Therefore, the need to provide a consistent explanation of how, why and to what extent these relations change over time and in different contexts still exists. This chapter intends to contribute to the understanding of stakeholder relations by, first, investigating the limitations of the present thinking on stakeholder relations and, then, by offering alternative venues for the study of the topic.

Demystifying the role of managers in stakeholder interactions

The lack of a multifaceted perspective in corporate social responsibility is partly due to stakeholder theory's focus on managerial decision-making

(Jones and Wicks, 1999). The stakeholders are analysed through the lens of the firm, which hinders the balance between all the parties of the stakeholder relationship. For example, Agle *et al.* (1999) document the presence of a 'stakeholder class system' in the minds of large corporations' CEOs who value shareholders, employees and customers more than the government and communities. Moreover, in their study on stakeholder-agency theory, Hill and Jones (1992) argue that managers pay more attention to stakeholders who are perceived by them to be more important. This perception is likely to be based on the managers' previous experience and subjective interpretations of the environment. Thus, the assumption is that managers shape their environments by making choices among the stakeholders that they will deal with. In a similar vein, Mitchell *et al.* (1997) elaborate a stakeholder identification model by focusing on certain characteristics to identify a salient stakeholder. In this model on the manager's perception of the salience of stakeholders, the shareholder's power to influence the firm, the legitimacy of a stakeholder's claim and the urgency of the stakeholder's issue are identified as the key determinants of salience. However, it is also observed that each characteristic is a variable rather than a steady state, which is subject to change for each group and relationship (Agle *et al.*, 1999). In another study, Jawahar and McLaughlin (2001) propose a descriptive theory of stakeholders that seeks to identify the major stakeholders and to explain why and when these stakeholders are important and how the resource allocation is made among primary stakeholders. In one study that has departed from the norm and enabled multiple stakeholder discourses, Hill and Jones (1992) develop the stakeholder-agency perspective. The firm is viewed as a 'nexus of contracts between resource holders (stakeholders)'. In a similar vein, Friedman and Miles (2002) suggest four structural configurations on stakeholder/organization relations to explain why different stakeholders influence organizations in different ways. They claim that the structural nature of organization/stakeholder relations, the contractual forms and the available institutional support influence the extent of stakeholder impact on the organization. Friedman and Miles (2002) investigate the intricacies of the complex web of relations, first by the compatibility of ideas and material interests. Secondly, they identify both the necessary relations that are internal to a social structure and the contingent ones that are external or not integrally connected. However, there is still much to do in terms of understanding the dynamic interaction of the stakeholders (Margolis and Walsh, 2003). Although each group can be seen as having a stake in the continued existence of the firm (Hill and Jones, 1992), the claims of different groups may conflict. Presently, stakeholder theory considers

mainly large stakeholder groups such as clients, employees and shareholders, and tends to overlook many differences within stakeholder groups. It also needs to consider ways of determining the outcomes of stakeholder relations that may go beyond the economic and social classification (Harrison and Freeman, 1999). The assessment of this complex web of relations may hardly be done within the limits of a managerialist perspective.

Mellahi and Wood (2003) point that there is a tendency to focus on 'management' in the stakeholder literature. So, there seems to be a predominantly firm-based relationship flowing from the firms to the stakeholders, which is mainly based on a rational economy perspective. Although in an early study on economics, Friedman (1962) questions the capability of managers of private enterprises in deciding what the social interest is, there is still an underlying assumption that managers are free to set the boundaries of their relationship with stakeholders. In a sense, they are assumed to be the major actors that organize the environment composed of stakeholders. The literature is dominated by manager-based views of stakeholder interaction as if the manager is the sole and major decision-maker on who is a stakeholder and how they will be treated (Mellahi and Wood, 2003). As a consequence of this management-centred view of corporate social responsibility and stakeholder evaluation, the theory appears to be rather restricted. For instance, it is maintained that stakeholder theory cannot comprise duties to non-humans (Orts and Strudler, 2002; Philips and Reichart, 2000) due to this enterprise/manager-centred perspective. Mellahi and Wood (2003) claim that the perception of stakeholder rights as 'a voluntary gift of management, whereby immediate gains are sacrificed for long term profitability, for the sake of doing the right thing' will not contribute much to the enforcement of corporate responsibility.

On the other hand, the fact that the manager is only one of the actors and that he/she may not necessarily be the principal one, is stressed in many studies (Alvesson and Willmott, 1996; Bryman, 1999). It can also be stated that the dominating party in stakeholder interactions may depend very much on the context. Thus, institutions rather than the manager appear to be a topic of interest in understanding stakeholder relations. Institutions may both constitute stakeholders and shape socially responsible policies (Mellahi and Wood, 2003). Institutions shape the rules, values, norms and views of the world, which in turn define roles and create the social setting for action. The following section will discuss the potential implications of the adoption of an institutional perspective in studying stakeholder relations.

Institutional theory and the role of institutions in stakeholder relations

Most of the studies on stakeholder theory are conducted within the modernist/managerialist tradition, which aims to provide effective and efficient tools to managers in order to make them handle organizational issues appropriately. Such an approach risks creating an artificial setting for both corporate social responsibility and stakeholder relations, and it needs to establish the necessary links to socially constructed reality. So, it may be useful to incorporate the stakeholder perspective with interpretive approaches, according to which the position of stakeholders is socially constructed. There are only a few studies (for example Hill and Jones, 1992; Mellahi and Wood, 2003; Damak-Ayadi and Pesqueux, 2004), which aim to establish and promote that link in stakeholder literature.

Interpretive approaches are based on the social construction of reality. Interpersonal negotiations and implicit knowledge that are created through shared experiences and past form the basis for the creation of human social order and lead the way to 'a consensus on how things are to be perceived and meanings for which they stand' (Hatch, 1997). The realities are not enacted individually and the enactment is subject to social agreement and cooperation. Cognitive, social and cultural forces shape the knowledge of the world filtered through the knower (*ibid.*).

Institutional theory, which might be useful in understanding and explaining stakeholder relations, is one of the interpretive approaches that have attracted increasing attention in recent years (see for example Dacin *et al.*, 2002; Greenwood and Hinings, 1996; Greenwood *et al.*, 2002; Scott, 2001). It is one of the alternative approaches to the rational economic perspective (Mezias, 1990). Selznick (1996) claims that institutional theory addresses topics with social concern by rejecting both the conventional models of organization and the insightful role attributed to management. He also describes institutional theory as a 'guide to thinking about corporate social responsibility' that defies 'this culture of shortsightedness'. Institutional approaches mainly attribute the activities of organizations to the dynamics of external and internal forces rather than technical efficiency requirements. It is argued that the survival of the organization is secured by conforming to external requirements and beliefs rather than by transforming inputs to outputs in an efficient and effective way.

Institutionalism explains the reasons behind isomorphism among organizations. Normative, mimetic and coercive pressures force

organizations to adopt certain structural arrangements and practices to attain legitimacy (DiMaggio and Powell, 1991). An institutional framework comprises a fundamental set of formal and informal rules that govern and constrain the functioning of organizations through such normative, coercive and mimetic forces, that, similarly, stakeholder positions and relations also appear to be subject to.

As previously stated, normative forces are among the institutional forces that bring about isomorphism. It is argued that some institutional sectors contain environmental agents who possess enough power to enforce certain structural forms or practices on organizations (Scott, 1987). According to Scott (1987), those environmental agents who are in a position to define the dominant forms of institutional structure will be determined largely by political contests among competing interests. He claims that environmental agents' different resources and facilities, coupled with their ability to influence the normative and cognitive facets of political processes, will shape the outcomes. As a result of this process, certain practices or structures are taken as norms, which lead the way to normative isomorphism.

Another mechanism of isomorphism is created through coercive forces. The State, among others, is one of the institutions that make use of it; by imposing different legislation the State may constrain organizations to adopt certain practices and structures. For example, the State may require organizations to hire directors from minority groups (Beekun and Ginn, 1993; Blum, Fields and Goodman, 1994) and thus extend the coverage of stakeholders.

Finally, mimetic forces constitute the last group of factors leading to isomorphism. DiMaggio and Powell (1991) state that institutions, rather than limiting choices, generate the basic parameters according to which people find out their preferences. In other words, since people consider their own alternatives unrealistic, they take the institutionalized practices as given. Thus, mimetism occurs.

All micro-institutional and macro-institutional factors may shape the position of stakeholders with each other through acting upon the prevailing corporate social responsibility concepts in that specific context. Zucker (1991) differentiates between macro-institutionalism and micro-institutionalism, stating that while macro-institutionalism captures the homogeneity among organizations from a macro level, micro-institutionalism seizes the reasons for the organizations' differing strategic responses to the same institutional environment. The State, its policies and the culture of the country are some examples of macro-institutional factors. Micro-institutional factors

consist of organizational features such as ownership, predecessors, size and age.

Institutions can be defined as the structures and activities that provide stability and meaning to social behaviour. They are the outcome of a continuous interplay between conscious human action and the wider structures in society (such as economy, culture) that the individuals are not likely to control (Giddens, 1984). The development of institutions usually requires time, but once they are developed they become rather stable. Institutional environments are characterized by the elaboration of political, social and legal rules and requirements that set up the basis for 'production, exchange and distribution' (Parkhe, 2003). Organizations are expected to conform to these rules to receive support and legitimacy (Scott and Meyer, 1991).

The specific configuration of institutions and organizations that exist within business systems are expected to influence organizational practices and processes in that specific context. Thus, the position of and the relationship between the stakeholders are likely to be affected by this specific configuration. In a departure from the rational-choice perspective, institutions (depending themselves on macro-level variables) are expected to affect both the strategies and the goals of the individuals and organizations by establishing the rules of coordination and cooperation. They define what is expected to be rational in this specific context. 'Societal culture, national context, corporate culture and management practices' represent different institutionalization pressures on managers (Parkhe, 2003).

The role of the business system in stakeholder position and interactions

Among those institutional forces, this study finds it very useful to study the role of macro-institutional factors on stakeholder relations, and to focus specifically on the role of the business system in this process. Institutional tendencies may result from different reasons. For example, Zucker (1987) maintains that institutionalized practices may be due to the industry's special features. Chatman and Jehn (1994) point to the fact that specific cultural values are associated with levels of industrial technology and growth, and posit that in an industrial sector the new or small companies may mimic the larger successful companies in their search for legitimacy, support and success.

Moreover, Whitley (1994) posits that particularities of the overall business system of a country may have a significant impact on inter- and intra-organizational coordination and the control mechanism. Although

the dominance of the nation-state has weakened lately, it is still the foremost level at which distinguishing forms of economic organization become instituted (Whitley, 1999a). However, Whitley (1999a) also argues that there are significant discrepancies in institutional structures among states, over both space and time, and significant cohesion in many institutions across countries. The stream of research on comparative business systems focuses on the effects of contextual differences on organizations (Hamilton and Biggart, 1988; Whitley, 1991, 1994, 1999b). Studies in this tradition emphasize the nature of economic actors and their role in various and changing business systems (Whitley, 1999a,b; Foss, 1999; Pedersen and Thomsen, 1999). The choices of the actors are the results of different cognitive norms and values that are deep-rooted in particular societies at different periods (Whitley, 1999a). The comparative business-systems framework points out that institutional and historical properties of the context may affect organizational forms, practices and business systems as a whole and questions the functionalist logic of economists (Foss, 1999), which relate all competitive courses of action to efficient outputs. Whitley (1999a) points out two basic assumptions of comparative business systems:

First, firms are particular kinds of authoritatively coordinated economic actors that vary in significance among business systems. Second, institutions and social structures empower corporate agents, that is, collectivities with emergent powers of promotive organization and articulation of interests such that their composition and behaviour are institutionally structured and variable. (1999a, p. 121)

Therefore, in this framework, dominant organizational forms and processes have been analysed with these macro-institutional lenses. In an earlier study, Whitley (1994) analysed business systems in market economies in terms of 'the nature of firms as economic actors, the nature of inter firm relations in markets and the nature of authoritative coordination and control systems within firms'. In the elaborated versions of his model (1999b, 2000) he has simplified the dimensions of his classification as ownership integration and alliance coordination and has identified six different business systems; namely fragmented, coordinated industrial district, compartmentalized, collaborative, state-organized and highly coordinated systems.

The 'fragmented' business system is characterized by an overwhelming majority of self-sufficient firms, low levels of institutional trust and weak institutional mechanisms for managing market relations and economic conflicts (Whitley, 1999b). Chinese family businesses may be

an example of this type with strong owner-control, personal authority and highly personal relationship with buyers, employees and suppliers. Therefore, the relative position of stakeholders and their relations are likely to be shaped by the characteristics of this system.

The 'coordinated industrial district' is characterized by low 'ownership integration' and higher 'alliance coordination' as in the case of Italian industrial districts. Access to financial funds, the establishment of standards and exchange of information and various services are organized collectively. Chambers of commerce, local banks and state agencies are often involved in facilitating collaboration and collective action. In contrast to the domination of a managerial hierarchy in compartmentalized business systems, there is an active involvement of employees in problem-solving activities of the firms.

The 'compartmentalized' business system is typical of Anglo-Saxon societies. More stable and formal economic relations characterize this context, and high levels of institutional differentiation and pluralism and impersonal ways of arranging economic relations are common features in these economies. Many of the studies on corporate social responsibility and stakeholder theory seem to be based on the characteristics of this typology, since most of the work conducted on the former originates from Anglo-Saxon countries. The dominance of managerial voluntarism in stakeholder studies is worth noting (Mellahi and Wood, 2003). In fact, the Anglo-Saxon context is a setting where corporate power is enhanced (Whipp, 1999), and thus managers are delegated considerable power (Whitley, 2000).

'Collaborative systems' are those that unite high levels of ownership with closer relations between financial institutions and industrial companies. Enterprises establish and retain cooperative relations with key institutions such as banks and become part of relatively dense networks of collaboration. Typical examples are countries where the economy is not coordinated centrally by state agencies but is rather coordinated by other important institutional actors such as regional governments and other intermediaries. This contextual attribute is likely to influence stakeholder position and interactions. In these economies, unions may rank high among stakeholders; however the situation may not be so in, for instance, state-organized systems.

Next, the 'state-organized system' is the one where the State is the most powerful actor. The leading role in coordinating investment strategies and resource allocation priorities is performed by the political authority and the bureaucratic *élite*. The economy is directly managed by the State. Companies are characterized by high levels of centralization

of coordination and control, and owner-control of economic activities is further enhanced due to the importance of direct personal contacts in dealing with political authorities and risks. Moreover, strong owner-control brings about the use of personal forms of authority and the disinclination towards decentralization of authority. So, the impersonal grounds of trust are weakly institutionalized as in the case of the fragmented type. Whitley (1999b) cites South Korea after 1961 as a typical state-organized business system.

Finally, the 'highly coordinated system' is one where the firms have considerable autonomy but the State appears to be more involved in the development of the system. Activities across various sectors are more integrated and expansion is coordinated by groups of enterprises, as in the case of Japanese groups (Whitley, 2000). Economic activities are integrated which requires close interaction of top executives of individual firms and State élites.

Given this typology of Whitley, the institutional setting may be expected to influence both the definition of stakeholders and their relative positions. The role of the management in stakeholder relations may differ from one context to another, and managerial discretion is likely to be different in different contexts (Whipp, 1999; Hambrick and Finkelstein, 1987). Hambrick and Finkelstein (1987) claim that the degree to which the environment allows variety and change is one of the factors that affect managerial discretion, and then identify several environmental factors such as demand instability, industry structure, competitive market structures and freedom from government regulation (Finkelstein and Hambrick, 1990), which is expected to be higher in compartmentalized business systems compared to, for example, state-organized systems. Therefore, the relative position of managers may depend on the context.

Hypothesis 1: The relative position of managers in stakeholder relations will depend on the characteristics of the business system in which they are embedded.

The role and hierarchy of the stakeholders will also differ from one typology to another. While one can expect to find stakeholder relations to be shaped by market forces in the partitioned system typology of Whitley, one is unlikely to observe the same association in a state-organized context. Although there are various definitions of the stakeholders to whom the enterprises are socially responsible, determining who is a stakeholder and who is not remains a problem (Mitchell *et al.*,

1997). This may also be due to these contextual differences. Who is perceived as a stakeholder will depend on the special contingencies of the context, and therefore it appears that there is a need to contextualize stakeholder research. The role of the institutional environment in shaping the position of and the interaction between stakeholders seems to be a topic of interest.

Hypothesis 2: The position and the relations of the stakeholders will depend on the characteristics of the business system in which they are embedded.

Stakeholder analysis also neglects power relations. The behaviour of firms and authority relations are likely to be shaped by the institutional environment (Whitley, 1999a,b). Whitley claims that different actors of the business system, such as different interest groups, professional and employer associations build up distinctive resources and power in a given institutional setting which allows them to challenge and reproduce the rules of the game at varying levels. It is argued that some institutional agents may enjoy enough power to gain autonomy and influence and to enforce certain structural forms or practices (Scott, 1987). Those agents who are in a position to define the dominant forms of institutional structure will be determined largely by political contests among competing interests (Scott, 1987). Their different resources and facilities, together with their ability to influence the normative and cognitive features of political processes, will shape the outcomes. Whitley (1999) claims that the standards of institutions are not implemented mechanically and isomorphically on all agents whose preferences and powers are also context-specific rather than universal and asocial: 'The formation of corporate agents of different kinds pursuing distinctive interests therefore reflects the nature of the institutional stratification systems' (Whitley, 1999b, p. 123)

This seems to be a two-way relationship. While the institutional environment shapes the firm, the firm itself may influence the former. Therefore, different institutional settings are expected to create their own web of authority relations among varying stakeholders. This in turn will influence the nature and position of the stakeholders in different contexts.

Similarly to the conclusion on national variations among dominant forms of organization and corporate governance patterns that thrive in their specific institutional environments (Hamilton and Biggart, 1988; Whitley, 1994), stakeholder position and interactions may also be

expected to reflect the characteristics of and the power distribution prevailing in the business system. Whitley (1999b, 2000), for example, differentiates what he defines as state-organized and collaborative business systems in terms of the strength of intermediaries. While the strength of intermediaries is defined as high in collaborative systems, it is ranked low in state-organized ones. Similarly, union strength displays variations among different systems. These divergences may delineate the difference in power distribution of different stakeholders in diverse institutional settings. This situation may show that stakeholders will differ from one setting to another; one interest group may be a powerful actor in one setting but non-existent in another. For example, the *grandes écoles* constitute one of the main agents of business life in France, both as the main supplier of the business *élite* and their network. However, no organization of this size and scope is observed in German business life (Hartmann, 2000). Therefore, the position and the relationship of stakeholders will depend on their relative power in their specific business system.

Hypothesis 3: The nature, position and relation of stakeholders will also be influenced by authority relations and thus by the distribution of power in a given institutional environment.

The power argument can further be exemplified within Whitley's classification of business systems to fully assess the differing formation of stakeholders and the relationships among them. In this respect, this study finds it helpful to study the case of the state-organized context as an example where the state is one of the major actors in the business system. State institutions may affect the behaviour and position of stakeholders through different mechanisms. The State appears to have the necessary tools to prompt macro-institutional tendencies; through regulations, the state may initiate coercive pressures, and by imposing different legislation it may constrain organizations to adopt certain practices and structures. For example, the implementation of an allowable tax deduction for charitable contributions may enhance corporate social responsibility in a specific context through state policy. Consequently, it may affect the position of charitable organizations as stakeholders. Similarly, the laws or state attitude towards environmental issues may impinge on the stakeholder definition by, for example, including or excluding non-humans as stakeholders.

The state may also create normative pressures; through its impact on culture and norms, it may influence normative tendencies. In a very

recent article where the relationship of two frequently mentioned stakeholder types (employer–employee) is investigated, Child and Rodriguez (2004) mention a break of trust between employer and employee in those institutional settings where the law or taken-for-granted habits regarding employer and employee relations are against a win–win situation. So, the laws implemented by the State may be the starting point for the norms. In fact, many authors claim that the structure of the State itself and its relations may shape organizational features in society (Aldrich, 1979; Whitley, 1994). Compliance with the State on adopting certain practices and forms is explained by the degree of an organization's dependence on the State (Oliver, 1992; Whitley, 1994; Zucker, 1987); a dependence that may attain its highest degree in societies classified as state-organized in Whitley's terminology. The 'stakeholder class system' (Agle *et al.*, 1999), which is found to value shareholders, employees and customers more than the government and communities in Anglo-Saxon contexts, is likely to be different in state-organized business systems. In the latter, the State and related institutions such as the military appear as the major stakeholders in business life, which is, in fact, the case in many countries in South America and the Middle East (Parla, 1998). Therefore, it can be stated that each system is likely to create its favourite stakeholders and ways of treating them since the organizations obtain legitimacy to the extent that they satisfy the expectations of relevant groups in their particular setting (Oliver, 1991).

Therefore, the position of stakeholders and their interactions will be influenced by the position of the State in this specific context. However, this does not mean that all practices of corporate social responsibility are a result of government regulations. In a recent study, it is observed that some industries take environmentally friendly initiatives despite the absence of regulation (Cespedes-Lorente *et al.*, 2003). The aim of this chapter has been to offer a new perspective on stakeholder relations and positions and to stress the impact of macro-institutional factors in this process.

Conclusion

My aim in this chapter has been to elaborate on the limitations of the present thinking on stakeholder relations and to identify the prospects of adopting an institutional perspective to study the topic. My intension has also been to extend a comparative business-systems framework to stakeholder analysis. The need to provide a consistent explanation of how, why and to what extent stakeholder relations evolve in different

contexts is stressed in many studies. However, stakeholder theory's focus on managerial decision-making limits our understanding of the issue. Stakeholders are often analysed through the lens of the firm, which impedes the balance between all parties of the stakeholder relationship. This complex web of stakeholder interactions may hardly be assessed through the lens of a managerialist perspective, which is mainly based on a rational-economy perspective. Thus, it may be useful to incorporate the stakeholder perspective with interpretive approaches according to which the position of stakeholders is socially constructed. Therefore, institutional theory may be a prospective interpretive alternative to understand stakeholder relations. Accordingly, this study proposes that macro-institutional factors such as the business system and the resulting authority relations and, thus, power distribution may be influential on stakeholder positions and relations.

These variations in the above-mentioned macro-institutional factors might also explain the lack of consensus on the definition of stakeholder. Apparently, there is no agreement on who/what are stakeholders and who/what are not. The contextual characteristics may influence stakeholder typology, the relative weight of managers in stakeholder interactions and the hierarchy of stakeholders. According to an institutional perspective, institutions may shape and firm up socially responsible policies; thus, they may initiate stakeholder processes through their impact on the trust and power mechanism, which also appears to be a key factor in corporate social responsibility.

This study has attempted to focus on the impact of contextual factors in stakeholder interactions. In different business systems, both the stakeholder definition and the position adopted by the stakeholders will display variations. Therefore, to contextualize stakeholder interactions may provide useful insights. Hence, it may be helpful to empirically study the impact of contextual differences on stakeholder relations in future studies.

Bibliography

- Agle, B.R., Mitchell, R.K. and Sonnenfeld, J.A. (1999) 'Who Matters to CEOs? An Investigation of Stakeholder Attributes and Salience, Corporate Performance and CEO Values', *Academy of Management Journal*, no. 42, pp. 479–87.
- Aldrich, H.E. (1979) *Organizations and Environments* (Englewood Cliffs, NJ: Prentice Hall).
- Alvesson, A. and Willmott, H. (1996) *Making Sense of Management* (London: Sage).
- Beekun, R.I. and Ginn, G.O. (1993) 'Strategic Positioning or Institutional Coercion? The Structure of Governing Boards', *The International Journal of Organizational Analysis*, no. 1, pp. 337–61.

- Blum, T.C. Fields, D.L. and J.S. Goodman, (1994) 'Organization-Level Determinants of Women in Management', *Academy of Management Journal*, no. 37 pp. 241–68.
- Bryman, A. (1999) 'Leadership in Organizations', in S.R. Clegg, C. Hardy and W.R. Nord (eds), *Managing Organizations: Current Issues* (Thousand Oaks, CA: Sage).
- Céspedes-Lorente, J. de Burgos-Jimenes, J. and Alvarez-Gill, M.J. (2003) 'Stakeholder's Environmental Influence: An Empirical Analysis in the Spanish Hotel Industry', *Scandinavian Journal of Management*, no. 19, pp. 333–58.
- Chatman, J.A. and Jehn, K.A. (1994) 'Assessing the Relationship between Industry Characteristics and Organizational Culture: How Different Can You Be?', *Academy of Management Journal*, no. 37, pp. 522–53.
- Child, J. and Rodriguez, S.B. (2004) 'Repairing The Breach of Trust in Corporate Governance', *Corporate Governance*, no. 12, pp. 143–152.
- Dacin, M.T., Goodstein, J. and Scott, W.R. (2002) 'Institutional Theory and Institutional Change: Introduction to The Special Research Forum', *Academy of Management Journal*, no. 45, pp. 45–57.
- Damak-Ayadi, S. and Pesqueux, Y. (2004) 'La théorie des parties prenantes en perspective', Paper presented at the Seminar on the Stakeholders and Corporate Social Responsibility. LIPSOR-CNAM (Paris).
- DiMaggio, P.J. and Powell, W.W. (1991) 'The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality', in W.W. Powell and P.J. DiMaggio (eds), *The New Institutionalism in Organizational Analysis* (Chicago: The University of Chicago Press).
- Donaldson, T. and Preston, L.E. (1995) 'The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications', *Academy of Management Review*, no. 20, pp. 65–91.
- Finkelstein, S. and Hambrick, D.C. (1990) 'Top Management Team Tenure and Organizational Outcomes: The Moderating Role of Managerial Discretion', *Administrative Science Quarterly*, no. 35, pp. 484–503.
- Foss, N.J. (1999) 'The Challenge of Business Systems and the Challenge to Business Systems', *International Studies of Management and Organization*, no. 29, pp. 9–24.
- Friedman, A.L. and Miles, S. (2002) 'Developing Stakeholder Theory', *Journal of Management Studies*, no. 39, pp. 1–22.
- Friedman, M. (1962) *Capitalism and Freedom* (Chicago: The University of Chicago Press).
- Giddens, A. (1984) *The Constitution of Society* (Cambridge: Polity Press).
- Greewood, R. and Hinings, C.R. (1996) 'Understanding Radical Organizational Change: Bringing Together the Old and New Institutionalism', *Academy of Management Review*, no. 21, pp. 1022–1054 .
- Greewood, R. Suddaby, R. and Hinings, C.R. (2002) 'Theorizing Change: The Role of Professional Associations in the Transformation of Institutional Fields', *Academy of Management Journal*, no. 45, pp. 58–80.
- Hambrick, D.C. and Finkelstein, S. (1987) 'Managerial Discretion: A Bridge between Polar Views on Organizations', in L.L. Cummings and B.W. Staw (eds), *Research in Organizational Behavior*, Vol. 9 (Greenwich, CT: JAI Press).
- Hamilton, G.G. and Biggart, N.W. (1988) 'Market, Culture, and Authority: A Comparative Analysis of Management and Organization in the Far East', *American Journal of Sociology*, no. 94, pp. S52-S94.

- Harrison, J.S. and Freeman, R.E. (1999) 'Stakeholders, Social Responsibility and Performance: Empirical Evidence and Theoretical Perspectives', *Academy of Management Journal*, no. 42, pp. 479–88.
- Hartmann, M. (2000) 'Class-specific Habitus and the Social Reproduction of the Business Elite in Germany and France', *Sociological Review*, no. 48, pp. 241–61.
- Hatch, M.J. (1997) *Organization Theory: Modern, Symbolic and Postmodern Perspectives* (New York: Oxford University Press).
- Hill, C.W.L. and Jones, T.M. (1992) 'Stakeholder-agency Theory', *Journal of Management Studies*, no. 29, pp. 131–54.
- Jawahar, I. and McLaughlin, G. (2001) 'Toward a Descriptive Stakeholder Theory: An Organizational Life Cycle Approach', *Academy of Management Review*, no. 26, pp. 397–414.
- Jones, T.M. and Wicks, A.C. (1999) 'Convergent Stakeholder Theory', *Academy of Management Review*, no. 24, pp. 206–21.
- Margolis, J.D. and Walsh, J.P. (2003) 'Misery Loves Companies: Rethinking Social Initiatives by Business', *Administrative Science Quarterly*, no. 48, pp. 268–305.
- Mellahi, K. and Wood, G. (2003) 'The Role and Potential of Stakeholders in "Hollow Participation": Conventional Stakeholder Theory and Institutional Alternatives', *Business and Society Review*, no. 108, pp. 183–202.
- Mezias, S.J. (1990) 'An Institutional Model of Organizational Practice: Financial Reporting at the Fortune 2000', *Administrative Science Quarterly*, no. 35, pp. 431–57.
- Mitchell, R.K. Agle B.R. and Wood D.J. (1997) 'Toward a Theory of Stakeholder Identification and Saliency: Defining the Principle of Who and What Really Counts', *Academy of Management Review*, no. 22, 853–86.
- Oliver, C. (1991) 'Strategic Response to Institutional Processes', *Academy of Management Review*, no. 16, pp. 145–79.
- Oliver, C. (1992) 'The Antecedents of Deinstitutionalization', *Organization Studies*, no. 13, pp. 563–88.
- Orts, E.W. and Strudler, A. (2002) 'The Ethical and Environmental Limits of Stakeholder Theory', *Business Ethics Quarterly*, no. 12, pp. 215–34.
- Parkhe, A. (2003) 'Institutional Environments, Institutional Change and International Alliances', *Journal of International Management*, no. 9, pp. 305–16.
- Parla, T. (1998) 'Mercantile Militarism in Turkey 1960–1998', *New Perspectives on Turkey*, no. 19, pp. 19–52.
- Pedersen, T. and Thomsen, S. (1999) 'Business Systems and Corporate Governance', *International Studies of Management and Organization*, no. 29, pp. 43–59.
- Phillips, R.A. and Reichart, J. (2000) 'The Environment as a Stakeholder? A Fairness Based Approach', *Journal of Business Ethics*, no. 23, pp. 183–97.
- Scott, W.R. and Meyer, J.W. (1991) 'The Organization of Societal Sectors', in W.W. Powell and P.J. DiMaggio (eds), *The New Institutionalism in Organizational Analysis* (Chicago: The University of Chicago Press).
- Scott, W.R. (1987) 'The Adolescence of Institutional Theory', *Administrative Science Quarterly*, no. 32, pp. 493–511.
- Scott, W.R. (2001) *Institutions and Organizations* (Thousand Oaks, CA: Sage).
- Selznick, P. (1996) 'Institutionalism "Old" and "New"', *Administrative Science Quarterly*, no. 41, pp. 270–77.

- Swanson, D.L. (1999) 'Toward an Integrative Theory of Business and Society: A Research Strategy for Corporate Social Performance', *Academy of Management Journal*, no. 24, pp. 508–21.
- Whipp, R. (1999) 'Creative Deconstruction: Strategy and Organizations', in S.R. Clegg, C. Hardy and W.R. Nord (eds), *Managing Organizations: Current Issues* (Thousand Oaks, CA: Sage).
- Whitley, R. (1991) 'The Social Construction of Business Systems in East Asia', *Organization Studies*, no. 12, pp. 1–28.
- Whitley, R. (1994) 'Dominant Forms of Economic Organization in Market Economies', *Organization Studies*, no. 15, pp. 153–82.
- Whitley, R. (1999a) 'Competing Logics and Units of Analysis in The Comparative Study of Economic Organization', *International Studies of Management and Organization*, no. 29, pp. 113–26.
- Whitley, R. (1999b) *Divergent Capitalisms: The Social Structuring and Change of Business Systems* (Oxford:Oxford University Press).
- Whitley, R. (2000) 'The Institutional Structuring of Innovation Strategies: Business Systems, Firm Types and Patterns of Technical Change in Different Market Economies', *Organization Studies*, no. 21, pp. 855–86.
- Zucker, L.G. (1987) 'Institutional Theories of Organization', *Annual Review of Sociology*, no. 13, pp. 443–464.
- Zucker, L.G. (1991) 'Institutionalization and Cultural Persistence', in W.W. Powell and P.J. DiMaggio (eds), *The New Institutionalism in Organizational Analysis* (Chicago: The University of Chicago Press).

6

Faceless Figures: Is a Socially Responsible Decision Possible?

Jean-Luc Moriceau

‘Responsible for what, we asked?
For the fragile we are now inclined to answer.’

*P. Ricœur, *Le juste**

Introduction

The ‘invisible hand’ has to be limited. The hand is not always that of a magician, transmuting the selfish interest of each individual into the collective interest. Sometimes the hand needs a rap across the knuckles. The hand cannot just hold everything and take everything; it also needs to be a hand stretched out to those whom it is strangling. Being invisible, it operates incognito, without a face, and thus without responsibility.

Each time this concern arises it is in new clothes, with a new name, calling out for new institutions. Today, it is taking on the clothes of corporate social responsibility. At the heart of this approach, a theory is asserted: shareholders cannot take everything, for there are other stakeholders. This stakeholder theory is a counterpoint, a broadening of an excessively conventional approach: that the function of a company is merely the opportunistic and blind search solely for the company’s own profit. Rather than having a fixed objective, companies need to adopt a wide angle approach. If they do so, they will discover a quite different panorama.

What we would like to show is that the inspiration behind the stakeholder theory, if it is taken seriously, cannot be reduced to, nor reincorporated inside, economic theory. It couldn’t lead to any new set of assured rules to obey. And that this rebellion is what constitutes the value of this approach.

It will first be pointed out that if the economic calculation throughout aims at reintegrating the stakeholders into its scheme, this can only be done by denying its inspiration or by contradicting itself. Indeed, what the stakeholder theory addresses and dares to question, is the postulate of opportunism as virtue (stylized as the invisible hand). Then we will see that this theory is only inviting ‘faceless figures’. The stakeholders have no face, which is accentuated by a series of standards and ratings. By structuring itself, by getting institutionalized, the theory loses contact with the faces of those about whom it claims to care – thus contradicting the idea of a responsibility which would require a listening approach and the welcoming in of singular faces. Finally, we will wonder if it would not be precisely because it cannot include a ‘decision theory’, that a socially responsible decision is possible; if it would not be by making economic calculations impossible that the stakeholder theory is making a new kind of decision possible.

The impossible re-integration inside the economic calculation

An elusive concept

The idea is indeed innovative that constantly stresses the need for corporate social responsibility for, in usual theory, companies have only one function (production) and one purpose (profit). However, once this idea is accepted, everything is supposed to be evident and straightforward: companies have to answer for the consequences of their actions to all the stakeholders (employees, customers, the environment, employment in the area, the State, etc.). But for a theory to be possible, we need a precise concept. Yet if we attempt to conceive of corporate social responsibility in its ideal form, the idea shies away. The purpose of a concept is to grasp what we try to think, but here what we try to catch always flies away as we approach.

In point of fact:

- Corporate *social* responsibility should be non-economic, beyond economics. But in fact it is justified by economic criteria (ethical investments would be more profitable, the point is to attract customers, to enhance employee loyalty, etc.). Even if not used as an economic strategy, CSR would nevertheless have an economic function, enabling the economy, as a capitalist system, to improve (see for instance the arguments of Stiglitz, 2003). Eventually, economics reappears again, because the aim is to get more

return from the economy. The economic interest is always there, in the background; it can be postponed, but without being different in nature.

- *Corporate* social responsibility should be a responsibility of the company, beyond the individuals, and thus transcending individual responsibilities. But however close we look, no company is acting (except in the case of legal fiction). A company has no hand, voice or will. The company is made up of individuals' choices: the choices of leaders, the power to oppose of employees, etc. But then, if the point is only about the responsibility of the individuals in the context of the company, no specific responsibility needs to be considered. CSR would be a matter of individual responsibility. Is therefore considering responsibility at the company level no more than an awareness of a common individual responsibility – unless it is the transfer, the discharge, of an individual responsibility towards an abstract and shared entity?
- Corporate *social* responsibility should center on society, and look beyond the interest of the company. But if the company worries about society, it is only in terms of the survival of the milieu in which the company makes profit. We cannot either claim that this is only squaring with the pursuit of the company's own interests (which, as with an invisible hand, would correspond to society's interest), because otherwise we would not need a concept of CSR. We would just have to say that the company can, without anxiety, pursue its interests. Most of the arguments used to make companies accept their social responsibility point out that, directly or indirectly, the company eventually winds up as the winner. And yet the real *test* of a social responsibility would be whether society gains an advantage over the company.

If we want to think of a pure corporate social responsibility, which would be social, thus not for the economy but for the society, and which would not be reduced to individual responsibilities, the concept proves elusive. What it grasps fades away as with a child trying to embrace some smoke.¹ Full social responsibility cannot be grasped. A company which was perfectly responsible would always be insufficient, and still open to criticism. The company is always at fault in terms of social responsibility, and always in debt to society. If the objective remains desirable, its total realization is impossible.

This concept, which many would oppose to the 'all-taking' tendency of shareholders, does not have the immediacy and naturalness which

would justify it. Isn't it this difficulty, even this conceptual impossibility, that has delayed its emergence and that is undermining today's debates? Yet why does this idea nevertheless assume such importance, to such an extent that it imposes limits on what had previously no limits? It is certainly because its inspiration echoes one aspiration of society.

Social responsibility and institution

For this concept to gain consistency and effectiveness, it had to be staged. How could one conceive – beyond the convenient legal fiction whereby corporate liability suits can be brought – of corporate social responsibility? If we want to understand this responsibility and its specificities, let us begin with what is considered to be one of the first texts introducing the idea, and which at the time triggered off a lively debate.²

If the unity of the corporate body is real, then there is reality and not simply legal fiction in the proposition that the managers of the units are fiduciaries for it and not merely for its individual members, that they are... trustees for an institution (with multiple constituents) rather than attorneys for the stockholders. (Dodd, 1932).

Seen from this stage-setting, the responsibility is not the company's but that of the managers, who are acting in the name of and for the company. Most of the texts are clear: the point is to help managers, generally inside the company, to broaden their horizons. Their responsibility is to preserve an *institution*. The institution is what exists before us, what transcends us and what we pass on. It is what makes possible, as well as the context within which labour, work and action can take place.³ If nowadays institutional theory teaches us to recognize that institutional settings impose constraints and specific forms on companies' development (see, for example, Louche, 2004), let us note that the conservation of institutions also complicates economic calculations.

However, this stage-setting is even more problematic in terms of economic theory. What is at issue is what those people in the company to whom the responsibility for taking decisions has been entrusted should take into account. This question had, been supposedly, resolved, notably by the agency theory. Because of information and power asymmetries between shareholders and directors, shareholders have to set up series of devices and contracts so that the directors do not divert from their assigned duties: maximizing the wealth of the company, that is of

the owners. In this well lubricated machinery, as if the issues have already been settled and transformed into a technical problem, is it not true to say that texts about stakeholders introduce restlessness? They call to look at the situation with lucidity. They demand a broadening of the horizon: what if other stakeholders instituted the same kind of controls? On this view, CSR could be viewed as either contesting the control practices on directors, or as contextualizing afresh the milieus in which these have to take place.

In this stage-setting, for a conventional economic calculation to take place, a gain and cost function would be required relating to the satisfaction of each stakeholder. But it would also be required that the goal function, the aim to be maximized, should remain the company's profit. And yet this is what stakeholder theory begins to call into question. And here, this theory plays the rogue.

Social responsibility versus the invisible hand

Here indeed the theory triggers unrest. For behind the inspiration of the champions of stakeholder theory lies an incipient undermining of the basic postulate of the hard core of liberalism. This very spirit-calming postulate, which is said to be a source of dynamism, consists of presenting the right to exercise opportunism as a virtue. Liberalism is based on a stratagem of reason, which transforms opportunism into virtue for the community. The invisible hand cherishes opportunism and takes back from it an energy which is then converted into public virtue. This invisible hand which, when we look at it from a certain angle, 'does not wear kid gloves as it starves and crushes noiselessly, invincible because pressing everywhere and nowhere' (Châtelet, 1998, p. 31), but which in economic theory is imbued with the fingers of a benevolent magician.

Corporate social responsibility displays the reverse of the invisible hand. And reveals that it has dangerous claws. The invisible hand, because it is invisible, automatic, magical in the anthropological sense, dissolves responsibilities. Indeed it rejects them as sources of inefficiency. From Smith (1776), we deduce that if we have society's best interest in mind (being socially responsible), we should exclusively look at our own interest!⁴ In the same way, Taylor (1912) maintained that if companies were able to benefit from his method, this was for the well-being of the nation. And General Motors, speaking through its president C.E. Wilson, maintained that what was good for GM was also good for the country. It is always the same logic, which clears the person involved of any charge of opportunism.

The invisible hand is what reassures the mind, it is the clear conscience granted to opportunism. And then CSR comes along to give rise to a concern. A third party could be adversely affected: the environment, employees or customers, and so on. Stakeholder theory decomposes the vague idea of the 'society' which would benefit globally and in the long run from opportunism into multiple constituents, some of which may suffer. One may recognize the influence in these debates of Rawls (1971), who asserts that an increase of the disparities is acceptable only if *each individual* sees his conditions improving. Each and every stakeholder must be considered, and no longer merely the vague idea of progress for society considered globally brought about by the invisible hand.

Calling into question the tranquillity afforded by the 'invisible hand' is such a disturbing development that it is easy to understand why so many efforts have been made to incorporate this new approach into the economic calculation. If the third party can ask for damages, it is necessary to internalize these 'externalities'. And to show that in the last analysis, taking stakeholders *into account* 'pays': directly via ethical investments or through reputation, trust, or a sustainable environment. Ricœur (1995, chap. 2) has shown that the history of the concept of responsibility is that of reintegrating into the economic sphere. Responsibility has in a sense been hi-jacked by the capitalist system. By being transformed into imputation, it becomes a redistribution mechanism. For example, when smokers sue tobacco companies, 'responsibility' no longer refers to guilt, but to one group which must pay compensation to another. 'Responsibility' is thus brought back into the economic calculation.

One can but wonder what would happen if the invisible hand was replaced by a clutch of imploring hands, begging the company to give them their share. What would happen if there was an excess of accountability, whereby each hand considering it had been unfairly treated would ask for compensation? Would we not eventually reach a situation (like that of surgeons who refuse to operate, and of teachers who refuse to organise school trips) in which companies would no longer operate, because they were hesitating before taking their decision?

By splitting up the vague and unproveable idea of profit for society into consequences for multiple constituents, stakeholder theory is doing more than just complicating the economic calculation. It is instituting a responsibility. What kind of responsibility would there be if there were obligations of opportunism (as virtue)? In the source of responsibility, there is an attribution to an agent, who has a power to act, who

can say ‘I can’ (cf. Ricœur, 1990, p. 135). Stakeholder theory constitutes a challenge to the profit objective (without abolishing it) by opening it up to a responsibility for the other party. But, clearly in order to save the economic calculation, to remain inside economics, it does this only vaguely. However, a quite different landscape is to be discovered if we take seriously the inspiration which drives this tendency.

Faceless responsibility

If the social responsibility concept plays tricks on economic theory by not letting itself be swallowed up so easily, we still have to wonder which kind of responsibility is proposed to companies. What are the features of the relationship between the company – or decision-makers in the company – and society?

It is on this point that stakeholder theory is at its most imprecise. It appoints candidates to take a stake to the company, any candidates who can affect or be affected (Freeman, 1984) by the realization of the company’s objectives. But it says nothing about the kind of links that exist between these candidates and the company. Let us look again at the diagram proposed by Donaldson and Preston (1995), as depicted in Figure 6.1.

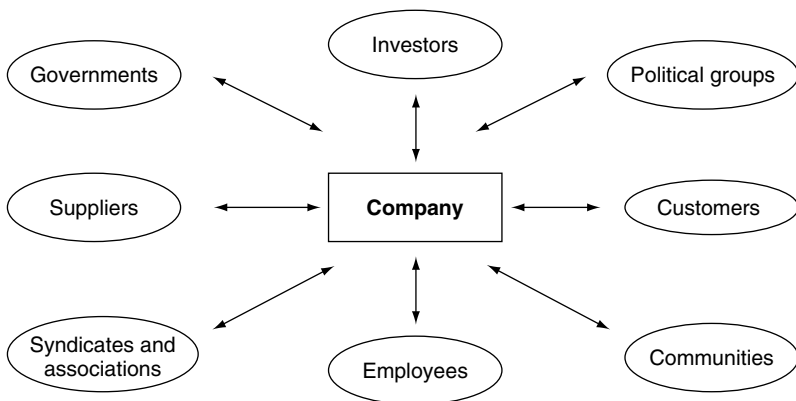


Figure 6.1 Stakeholders

Source: Based on Donaldson and Preston (1995).

What relations with stakeholders?

Little has been said about the nature of the constituents and of the arrows. Are they of the same kind? We can ask questions about whether the constituents are:

- Invested with rights, claiming to be taken into account. Then the CSR would be transformed from an active, generous and friendly opening into a passive and mandatory obligation.
- Partners for mutual advantages. But, in this case, do advantages mean higher profits? Or greater happiness?
- Evaluators, observing, judging and rewarding.
- Beautiful preys to be seduced. By showing itself to be socially responsible the company gains extra legitimacy, and builds itself a network that can be used for its own purposes.

The presence of arrows in Figure 6.1 indicates that CSR comes as much from a relationship than from any intrinsic quality of the company. In the relationship, the source, the main direction, and the contents are not easily identified. The ellipses and arrows have multiple meanings. We may multiply the possible interpretations and implications of the diagram. Further, if we analyze more finely and decompose the government, the political groups, the employees, the customers, and so on into subcategories as well as the company into various constituents does not the diagram become too general to be used as the basis for responsibility? Can it be more than a research program or a strategic check-list?

No, we have to recognize that the diagram does more than represent an existing link *per se*. Drawing these arrows means hoping to promote a change in real economic practices. More than a scientific theory, it is a political act.⁵ The customers, the communities, the government are by essence stakeholders, effectively or potentially. Nevertheless the diagram, though appointing new entities granted with a right of inspection, appoints them still in the form of *figures*. Stakeholders – taken as figures, thus reduced to essence and transformed into abstractions – are invited only as conceptual characters. This confers on the responsibility relation a theoretical, automatic and general feature, which is the opposite of responsibility for a person or a singular case. The relation is one of deontology (what I have to do according to a law which gives me an order) and not ethics (the way I consciously choose to behave).

Putting a face back on to social responsibility

Put differently, the stakeholders are *faceless figures*. If the manager's hand, to use Chandler's expression, is highly visible (and thus responsible?), the other stakeholders' faces are not visible. But what is a faceless responsibility? Are these invisible faces, faces we do not want to see? There is nothing in common in feeling for example abstractly accountable to unions and facing directly the face of the unionist.⁶ Institutionalizing CSR into a series of measures, standards and ratings is turning away investors and directors from the stakeholders' faces, emptying it of its quality of commitment, and of a certain kind of responsibility.

Louche (2004), in her study on the institutionalisation of ethical investment (and later CSR) in the Netherlands, shows that delegating the evaluation of social responsibility evaluation to specialized entities brought about facelessness. And this progressively distancing process makes her ask questions about the limits and the successes of CSR: do not the investors lose the social commitment which animated them at the beginning? Do they still wonder about what could be companies' responsibilities? Has not standardization anaesthetized the debates, has it not weakened critical awareness? Do not rating agency reports uncouple what companies declare from what they effectively do? CSR institutionalization, while favoring 'good practices', is distancing the investors and the directors from the other stakeholders' faces. Responsibility then risks being transformed into achieving good marks, scores to be compared, reproducing the situation at the schools from which the decision-makers have successfully emerged.

But wasn't this risk already contained in the stakeholder theory? Within this theory, persons are reduced to a category, a type or a kind, which is entitled to claim. It is not this customer, this union member, in this specific case, that holds a stake, but the class in its essence and its average. The stakeholders lack some of their features: all those that are singular and specific. The figures of the customer, the employee, the investor, have no face: they are characters but not persons; by representing the class they represent nobody.⁷ The responsibility concerns the 'customer' only in principle, it can then be refuted; whereas the face of this customer, in its fragility, expressing to me that he can be hurt, makes an unconditional appeal to my responsibility.

In fact, what is the face exactly? It is what can not be encapsulated in a concept or in a type. It has nothing that is common. In contrast to the law, it does not apply to an 'it' or a 'one'; it is not a common entity, that everyone must recognise. It is something eminently singular, a

proper noun rather than a common noun. Wanting a common law means depersonalizing. By jumping directly to the law, without the momentum of the face, we get an impersonal and universal law instead of a calling adapted to each individual in each situation at each moment in time. By so doing, we are erasing the face of the other, we are cutting off his or her otherness, reducing him or her to a supposedly known essence, confining him or her in a known “box”. This kind of responsibility opens up an abstract right, but with it we don’t really feel any concern about the other person. And yet, as a matter of fact, we feel, as Lévinas (1974)⁸ describes, a responsibility that goes even beyond what we, or what the company, actually do: a responsibility *for the other person*.

For the problem with law, rules, and norms is that they provide the answer by imposing what should be done. Doing so they avoid confrontation with the real issue, i.e. that which constitutes the problem here and now. Responsibility is no longer a problem, because the rating agencies tell us what is right. This could be possible only if there were a limited number of clearly framed problems. The theory would solve the problems and would then set out rules that could be applied. But in fact each case raises specific problems. That’s why responsibility deserves some thought, and deserves a judgment made on the basis of the present situation, in ethical terms. Merely following the rules means avoiding exposure to the face. And yet, the face is insistent. The face of the other person, in its nakedness, in its essential poverty (Lévinas, 1982) forbids us to ignore it or hurt it. Fear for the other person calls into question the ‘place in the sun’ the company has built for itself, by asking whether this building process has not oppressed or starved the other person, or cast him out into a third world (see Lévinas, 1992).

Of course, responsibility towards each stakeholder can’t be boundless. Giving everything to a single stakeholder would prevent concern being shown to the other stakeholder and leave nothing for the company. The art of management is balancing between goals. This limitation of responsibility, if it is to be fair in relation to everyone, thus requires principles and codes. The institutionalisation of CSR in measures, ratings, and reports is thus a guarantee of fairness. But the problem with justice, the danger of which Lévinas (1974) warns us, is that we are tempted to stick to “what is said” (the code) and forget “the saying of justice”, which is the very inspiration of responsibility and of concern about the other person. Isn’t this the danger facing CSR now – the danger of becoming just a new code, a new equation for calculation?

Is a socially responsible decision possible?

For what is mostly at stake, in the stakeholder perspective, is decision. From its beginning, what management theory calls decision, what is taught and pointed as example, is a direct or complicated version of 'decision theory'. In this view the point is to imagine the possible choices and to select the one which maximises the likelihood of achieving the desired goal.

But what is questioned here is the very possibility of having one goal. Let us consider a fictitious case. A firm's accounts are in the red. The holding company wants to discontinue this activity. But the firm is the main employer in an area which is already suffering badly from unemployment. At the same time, the firm is causing serious pollution, and reducing emissions would call for investments and spending so high that they would clearly lead to the closing of the firm. On the one hand, social responsibility means protecting employment wherever possible. On the other hand, it also means protecting the neighborhood against polluting emissions. How can a decision be reached? How is it possible to follow *both* commandments, which argue for different courses of action? No measurement, and therefore no calculation, would give one definitive answer.

The example here is ultra-simplified. There are only two groups of faces, every group consists of the same faces and every face is assimilated to one interest (employment protection or breathable air). The stakeholder theory groups together the faces and transforms them into an interest; this limits its scope and undermines its inspiration. Yet the theory also tells that the number of stakeholders is potentially unlimited, and includes all entities which might be affected by the decision. The milieu, which surrounds the company, which is concerned by its decisions, is populated with faces. It is a landscape of faces. So that the socially responsible decision, which would respect all stakeholders, is literally non-decidable.

That is why all the social responsibility theory developments aim at erasing the faces. This is done: 1. by grouping the faces together into types, which are linked with a specific and limited scope of interest; 2. by sorting the stakeholders into several spheres (there are numerous typologies of stakeholders) to which more or less weight is then attributed; 3. by valuing the various actions in terms of impact on each stakeholder in order of maximizing the rating scores. Making typologies and valuing are carried out in order to get back inside the frame of decision theory. This frame indeed has the huge advantage of guiding decision-makers and of rating decisions and companies.

Showing, typifying and valuing faces is eminently political. Deleuze and Guattari (1980)⁹ have demonstrated the way political and economic powers make use of faces; they need faces in order to demonstrate their own importance. Showing leaders' faces, and the faces of stakeholders who have been taken into account (the working child, or the worker who is over-exploited or threatened by redundancy), is a way of legitimising power or an order of things. The faces are shown but are not to be really seen, as masks, in order to avoid any threat of difference or otherness. These are not the faces that make demands, ask questions, suffer or accuse, but faces that conform to the norm, uniform faces, that can be calculated in the same way as the needs of *homo economicus*.

What the idea of corporate social responsibility is really calling for, if we would hear its inspiration, is a decision without the possibility of calculation, separate from decision theory. The confrontation with faces is an event, which cannot be forcibly locked into an economy of gains and losses. Faces do not ask 'to be taken into account' but to be confronted.

If a decision is not forcibly taken within the canons of decision theory, this does not ruin the decision, but on the contrary makes it more valuable. A decision that only follows the guidance of calculation and interest is not a real decision. A decision is something that interrupts the normal course of things. 'To be free and responsible, it must do something other and more than deploy or reveal a truth already potentially present, indeed a power or a possibility, an existent force' (Derrida, 2001, p. 27). Confrontation with other people's faces is what makes possible the taking of a decision which is not merely dictated by a calculation of interest. The decision then is not the fruit of knowledge, of a certainty or of a theory, it is what remains to be invented, to be brought into existence. Deciding means producing a possibility (Solé and Pham, 1999).

The idea of considering CSR as a new moral law is impossible for a company, which does not know how to respond to everyone about everything, and which would then fail to achieve something that it cannot guarantee. Socially responsible decision-making is therefore not a matter of calculation but of ethics, defining what a company's role should be in society. Ethics is the ultimate resource when we cannot be guided by laws¹⁰ any more. Ethics, for the ancient Greeks, was a choice that conditioned existence, a way of life (Hadot, 1995). To be Stoic, Epicurean or Platonist drove life and choices, enabling the resolution of contradictions in a commitment. Because of the claims made by

multiple, potentially contradictory stakeholders, only ethics, which is a choice of life and a relationship to other people, can form the basis for corporate social responsibility. By ethics we do not mean “business ethics”, or a good score based on criteria imposed by rating agencies, but an organisational commitment based on what the company’s role is in society.

Conclusion

Most of the justifications of CSR seem to begin with a ‘I have a dream’. They have echoes of wishful thinking. That by being ‘ethical’ we will automatically be more successful is the hope or the faith underlying all attempts to correlate socially responsible behaviour and stock values – or other performance indexes. One may justifiably suspect that there is something theological in this faith. It would seem that there is an immanent justice, which rewards (or elects) companies that ‘do good’. Rewarding or electing a company of course means granting it a bigger profit.

Justifying CSR by suggesting it means greater economic efficiency is contradicting what it claim to be, dubbing it something else, betraying its spirit and losing hope. It shows that a mistake has been made about the sense of the word ‘value’. This means transforming the concept into a mere legal obligation, transforming it into imputability (cf. Ricoeur, 1995) and restoring its solely economic function. Reducing it to a measurement, to a good or bad rating. This means keeping only the image, masking the real, and using it as a model to highlight one’s collection. On the other hand, adopting an excessively moral perspective can give rise to a ‘thou shall not profit’ approach, which is an external criticism of the system, the condemnation of capitalism in itself, and means forgetting that there is also an internal contradiction there. It could also generate a risk of the suffocation of the company through a network of contradictory commandments.

CSR is neither the friend nor the accuser of capitalism. It is its *doppelganger*. It cannot give rise to certain solutions, to new rules, and it raises problems. It indicates that thinking is still required. It cannot be demonstrated by a calculation of utility. It can be felt when a glance leads to someone feeling concern for another person, when it leads to a sense of the fragility of institutions. It can only be based on ethics. Problematic ethics which is a process of thinking, commitment and wanting – with no certainty other than that of conviction.

Notes

- 1 This image comes from Bergson (1941).
- 2 Quoted, for example, by Donaldson and Preston (1995).
- 3 It would be interesting to consider this further with reference to Arendt's work on institutions (notably 1958) forming the basis of responsibility of preservation and transmission.
- 4 Cf. for example: 'It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest' (Book I, chap. II). 'By pursuing his own interest he frequently promotes that of the society more effectually than when he really intends to promote it. I have never known much good done by those who affected to trade for the public good' (Book IV, chap. II). From Adam Smith (1776).
- 5 On the representation, as a dream of a scientific nature, which erases the political dimension, see Pesqueux (2002, p.28). For the concept of figure considered as a reduction to the main parts, see p. 26–7.
- 6 I would like to thank a member of the conference audience for this remark.
- 7 The question may be asked whether something is not lacking in all our knowledge about organizations. Indeed aren't the characters populating our theories also faceless figures? Research methods do their best to erase faces, staring at the persons to transform them into figures, transfiguring them into customers, sales managers, and so forth.
- 8 Lévinas did not write about companies or CSR. All references to Lévinas here are therefore extensions which may be open to question. The place of commerce in ethical relations between people in his thought would require lengthy discussion (see 1974). However it seems to us that the figure of the face has been unwisely left out of thinking in organization theory.
- 9 The idea of face for these authors is very different from Lévinas' one. It is not the expression of a subjectivity imploring not to be killed, but the effect of a machine where the subjectivity appears only in vanishing lines. The machine producing faces is already a political effect. The point is of getting away from these faces so as to leave space for another future. This shows another aspect of the failure to think of faces in stakeholder theory.
- 10 This gesture of thought is for example that of Ricœur (1990), although it concerns a very different question. Because moral rules can be contradictory, and thus unable to guide us, the only way out consists therefore of an ethical conviction.

Bibliography

- Arendt, H. (1958) *The Human Condition* (Chicago: University of Chicago Press).
- Bergson, H. (1941) *L'Évolution créatrice* (Paris: Presses Universitaires de France, Coll. 'Quadrige', édition 1996).
- Chandler, A.D. (1977) *The Visible Hand* (Cambridge MA: Belknap Harvard).
- Châtelet, G. (1998) *Vivre et penser comme des porcs* (Paris: Gallimard Folio).
- Deleuze, G. and Gattary, F. (1980) *Capitalisme et schizophrénie 2. Mille plateaux* (Paris: Les éditions de Minuit).
- Derrida, J. with Malabou, C. (1999) *La contre-allée* (Paris, La Quinzaine Littéraire – Louis Vuitton).
- Derrida, J. (2001) 'Deconstructions: The im-possible', in S. Lotringer and S. Cohen (eds) *French Theory in America* (New York: Routledge).

- Dodd, E.M., (1932) 'For Whom are Corporate Managers Trustees?', *Harvard Law Review*, vol. 45, no. 7, pp. 1145–63.
- Donaldson, T. and Preston, L.E. (1995) 'The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications', *The Academy of Management Review*, vol. 20, no. 1, pp. 65–91.
- Freeman, E.R. (1984) *Strategic Management: A Stakeholder Approach* (Boston: Pitman).
- Hadot, P. (1995) *Qu'est-ce que la philosophie antique?* (Paris: Gallimard Folio).
- Lévinas, E. (1971) *Totalité et infini: Essai sur l'extériorité* (Leiden: Martinus Nijhoff, ed: Paris, Le Livre de Poche).
- Lévinas, E. (1974) *Autrement qu'être ou au-delà de l'essence* (Leiden: Martinus Nijhoff, ed: Paris, Le Livre de Poche).
- Lévinas, E. (1982) *Ethique et infini* (Paris, Arthème and Radio France).
- Lévinas, E. (1992) *Ethique comme philosophie première* (Paris: Payot et Rivages).
- Louche, C. (2004) *Ethical Investment: Processes and Mechanisms of Institutionalisation in the Netherlands, 1990–2002* (Rotterdam: Erasmus University).
- Pesqueux, Y. (2002) *Organisations: Modèles et représentations* (Paris: Presses Universitaires de France).
- Rawls, J. (1971) *A Theory of Justice* (Cambridge, MA: Belknap Press of Harvard University Press).
- Ricœur, P. (1990) *Soi-même comme un autre* (Paris: Seuil, Coll. 'Points').
- Ricœur, P. (1995) *Le Juste* (Paris: Esprit).
- Smith, A. (1776) *The Wealth of Nations* (New York: Bantam edition).
- Solé, A. and Pham, D. (1999) 'Cette image dont nous sommes si prisonniers', in Collins, L. (ed) *Questions de contrôle* (Paris: Presses Universitaires de France).
- Stiglitz, J.E. (2003) *Quand le capitalisme perd la tête* (Paris: Fayard).
- Taylor, F.W. (1912) *Scientific Management, Testimony to the House of Representatives Committee* (republished in San Francisco: Harper & Row, 1947).

7

A Stakeholder Perspective of Human Resource Management

Michel Ferrary

Introduction

Human resource management (HRM) often appears as an instrumental science, defining and analysing management practices while ignoring the power games and conflicts of interest, which those same practices may induce. From this perspective, HRM takes its cue from the rationale of management whose aim is to optimize a company's financial performance. This non-conflictual interpretation has been denounced in the scientific field of management (Brabet, 1993). Competent observers of organizational functioning noticed that management practices resulted not only from the strict application of rational criteria, but could also be influenced by elements whose line of reasoning would be of a different type.

Professional relationships are far more than mere individual relationships between employee and employer; other elements influence this interaction. For one thing, the fairness or otherwise of HRM practices is a relative notion which leads each employee to compare management practices inside his organization with those applied to other employees, both inside his own company and in other organizations. Secondly, employees constitute social groups which may be more or less aware of their common interests, and more or less organized to ensure that their voices be heard.

The relationship between employers and groups of employees has often been reduced to one of conflict. This results both from a social reality and also from the implications of the Marxist model of professional relations whereby economic activity is reduced to the exploitation of workers by capitalists. While it is necessary to understand the logic of employee action, along with that of the trade unions representing

them, this alone is not sufficient to analyse the socio-political dynamics of implementing HRM practices. Firstly, because far from being systematically conflictual, relationships between employee and employer are generally based on cooperation. Secondly, HRM must be understood within a socio-political environment large enough to comprise other elements such as competitors, public authorities, consumers, local officials and the media. All of these have a direct or indirect influence on management practices within the company. HRM practices are not the result of choices made by only one decision-maker. They are determined by the cooperative or conflictual interactions of a multitude of actors, resulting in practices divergent from the optimum as seen from a strictly managerial viewpoint. The example of the company Nike is a case in point. This case shows how consumer groups and non-governmental organizations were able to influence management decisions. By denouncing the use of underpaid child labour in factories subcontracted by the company, they obliged Nike to change its management practices to counter the loss of sales resulting from its tarnished image. More generally, systems of remuneration, flexibility of employment or training policy are governed by previously negotiated formal and informal rules regulating professional relationships. These rules are not written in stone and can evolve in the context of new negotiations between stakeholders.

In order to understand this system whereby human resource management practices are determined by the interactions of a complex system of actors, it is necessary to have a conceptual framework of analysis. In this respect, the works of scholars (Mitroff, 1983; Freeman, 1984) concerning stakeholder theory opened new perspectives in management theory. The company is understood as being part of a politico-economic system of stakeholders who interact and influence management practices. Each stakeholder tries to optimize and protect his interests (Frooman, 1999; Savage *et al.*, 1991).

The framework of stakeholder analysis enables us to escape from a purely instrumental approach to HRM, and avoid reducing our understanding of conflicts within companies to mere antagonism between employees and their employers. It enables us to point out the existence of other stakeholders in the relationship. Notably, it allows for the incorporation into management theory of actors from the sphere of politics (president of the republic, government, national elected representatives – deputies and senators – and locally elected representatives – mayors and regional councillors, and so on) as well as their dependent administrations. All these actors are considered to be stakeholders who

define the legal framework of company management and guarantee the application of these laws.

In the first part of this chapter we will explain the main contributions of stakeholder theory to the understanding of company management. In the second part, applying this theoretical framework to HRM, we will refine the definition of stakeholders, both in terms of their nature and their interests, their means of action and the justification of their intervention in the functioning of the company. In the third part we will try to specify the systemic dimension of stakeholder theory by defining the structure of the system and the dynamics of its functioning. We will illustrate the construction of the conceptual framework through examples of industrial restructuring, which resulted in staff reductions. These examples involve many different stakeholders, given the socio-political impact of employment.

The contribution of stakeholder theory

A socio-political approach to management

Stakeholder theory (Mason and Mitroff, 1981; Mitroff, 1983; Freeman, 1984) opened up a new perspective in the field of management by adopting an approach akin to that of political science. Stakeholder theory analyses the company as an entity enmeshed within a set of interactions between parties inside and outside the company. The different interests these parties hold *vis-à-vis* the company lead them to try to influence the company's functioning in their favour. The notion of stakeholders extends from the most formal (shareholders, company board and so on) to the most informal (friendships between directors for example). Stakeholders are defined as being the ensemble of parties who can have an effect on the company or who can be affected by it (Freeman, 1984, p. 46). Freeman (1984, p. 45) insists on the 'legitimate' rather than the 'legal' justification of stakeholders' involvement in the company. This allows a wider spectrum of parties to be included in a definition of the company's socio-political system. The legitimacy rather than the legality of stakeholders justifies taking into account as stakeholders groups such as the media, consumers or ecological movements. A stakeholder is defined as an individual or a group of individuals (formally recognized as such or not), claiming a share of the value created by the company's production, or holding an interest in the company's existence (Donaldson and Preston, 1995).

The legitimacy of this claim is justified by the parties' past or potential contribution to value created by the company, while its legality is based on the law. A stakeholder may also be a group whose contribution is vital for the company's existence (SRI, 1963; quoted by Donaldson and Preston, 1995). Other theorists (Frooman, 1995, p. 192) define stakeholders as parties holding resources, which are essential to the company's existence.

Stakeholder theorists propose different categories of stakeholder. These can be distinguished into voluntary and involuntary (Clarkson, 1995), primary or secondary (Caroll, 1979), strategic or moral (Goodpaster, 1991). These actors can be formally or informally involved in the company. It is convenient to analyse stakeholders, who are active or potential, and those who are affected by the company and those who affect it. Moreover, Frooman (1999, p. 191) insists on three points: the necessity of knowing who the stakeholders are, what they want, and how they will try to obtain it.

The persistence of antagonistic relationships within the system of production is due to stakeholders necessarily being enmeshed in economic interactions with other parties in the system. The division of labour and the specialization of economic actors make stakeholders interdependent in the creation of value (Durkheim, 1930). However, the value created being limited, competition ensues amongst stakeholders in order to obtain it legitimately. The distribution of value created within the company becomes a source of conflict amongst all the parties who are directly or indirectly involved in this value creating process. In other words, directors and employees demand a salary, shareholders demand dividends, the state demands taxes; customers want to buy goods at low prices while suppliers want to sell at high ones. This dual dimension of interdependence in creating value and competition for a share in its distribution, is the basis of the persistence of conflictual economic relationships. It also shows the pertinence of stakeholder theory as a framework for analysing organizations.

The company director plays a central role in the socio-political environment of production. In terms of how the creation of value can be optimized, the director can be considered as a rational party who organizes the resources at his disposal. Coordinating such resources (technological, human, financial and so on) scientifically, he aims to generate a maximum of added value. On the other hand, when it comes to distribution of value, the company director should be considered as a political animal

who forges alliances in order to gain for himself a large part of the value created, and distribute it to others who will ensure that he keeps his position at the head of the company.

An interactionist interpretation of stakeholder relationships

The sources of conflict between the company director and the stakeholders comprising the company's socio-political environment stems from stakeholders' differing definitions of the challenges facing the organization which result in their wishing the company to act in different ways (Mitroff, 1983, p. 5). For example shareholders will favour a redundancy plan resulting in increased profitability, whereas local politicians will prefer to safeguard their electors' jobs, and their tax revenues.

This interactionist perspective means that the power of negotiation or action is not considered as intrinsic to each party, but as an attribute of their interrelationship. The degree of importance accorded to each party by the company director will depend on the urgency of the situation in hand, and the legitimacy and power of the stakeholder concerned (Mitchell, Agle and Wood, 1997). The power relationship will be determined by the degree of dependence and interdependence between the firm and the stakeholders. A high degree of dependency will weaken the focal company, whereas a high degree of interdependence will reduce the negotiating power of the stakeholder (Frooman, 1999, p. 196). The analysis of exchanges between stakeholders constitutes an important dimension of management, not least because possession of a resource is a source of power which implies the possibility to exchange, to refuse exchange, or to choose the conditions of exchange. Uncertainty concerning stakeholders' greater or lesser freedom to choose how to use their own resources, or to condition access to resources sought, determines their power with regard to the company.

Stakeholder theory is a systemic theory in as much as interactions between parties can be direct or indirect (Frooman, 1999, p. 198). This is partly due to coalitions between socio-economic parties who are against the organization, but it is also due to the company director's capacity to mobilize parties to act indirectly on a party over which he or she has no direct power. The stakeholders' strategy aims to increase the cost of 'unfavourable' behaviour on the part of the focal company, and influence the latter towards behaviour more 'favourable' to the stakeholder.

For example, employees have no legal power to 'get rid of' a director, however they can act in such a way as to harm the company directly

(strike action for example), or indirectly (giving the company an unfavourable press as a bad employer). This type of action may result in shareholders obliging the director to step down, or change his or her policy. A case in point is that of Danone whose board of directors decided to close the LU biscuit factory in order to increase profitability and give shareholders an increased share of the company's value. The ensuing trade union action publicized in the press and on TV harmed Danone's image. Consumer associations called for a boycott of the company's products resulting in a drop in sales. This consumer action led Danone's directors to grant employees hit by redundancies highly favourable conditions, which resulted in halting consumer antagonism thus putting a stop to factors which would have mobilized more stakeholders.¹

Stakeholder influence and the organization's strategy of reaction will be affected by the nature of a broader system of stakeholders inside which the relationships of these two parties are enmeshed (Rowley, 1997). The law imposes confrontations between stakeholders. For example in France, redundancy plans are governed by a specific social law that obliges any firm envisaging restructuring to inform the Committee of Workers' Representatives, and the Regional Labour Department. Then, once the redundancy plan has been drawn up, the law imposes a follow-up commission comprising representatives of the personnel and of the Regional Labour Department. For companies of over 1,000 employees, the law requires a plan to reactivate employment in the locality, and this involves representatives of the State, employee and employer trade unions, representatives of the Chamber of Commerce and relevant politicians. Finally, the possibility of resorting to the law courts (business court, employment watchdogs, and so on) enables the various stakeholders to use these as platforms for exerting socio-political pressure.

A strategic management of socio-politic alliances

From a systemic standpoint, the objective of stakeholder management is to build alliances between several stakeholders whose interests converge with those of the company. This system of alliances enables the firm to counter antagonistic stakeholders and to escape from a bilateral relationship in favour of a multilateral one (Freeman, 1984, p. 135). The stakeholder is defined as much in terms of its own particular characteristics as by its potential alliances. Managing stakeholders implies being able to grasp the ensemble of parties involved in the company's activity, which means knowing

which interests these parties can optimize, what their capacity of action may be and what possible alliance-strategies may occur between them (Savage *et al.*, 1991). For a company director, taking account of stakeholders means contributing to and managing a network of allies (cooperative alliance), and facing up to a network of opposition (competitive alliance). It means the director will try to modify the various parties' optimization function in order to make their interests converge with his own (for example, turning employees into shareholders).

These strategies of political alliances can be illustrated by the conflict, which opposed the West Coast Dockers to the Pacific Maritime Association in autumn 2002. The conflict began with a plan to modernize the port, in particular to automatize container handling. The trade unions accepted the project on the condition that it did not result in redundancies, and that the new jobs be unionized, thus benefiting from the same advantageous status (a docker's salary is on average 80,000 dollars per annum, and can rise to as much as 160,000 dollars). The management choice made by the directors of the West Coast ports shows clearly that they took advantage of a favourable socio-politic environment. They refused to negotiate with the unions. The unions responded by blocking the ports, thus harming imports and exports. The directors of large industrial groups (notably, the director of Dell) protested publicly, calculating the cost of the conflict to be 1 or 2 billion dollars. Journalists got hold of the story, and financial markets took up the information and the result was a drop in the shares of the companies concerned (for example, Thomson shares plunged by 18 per cent in one day). At the same time, the American government of the day was preparing to invade Iraq, but the dockers' strike blocked the military preparations by preventing the troops from leaving. To stand up to the strike, Bush's government intervened. It put a stop to the conflict by requisitioning the dockers in the name of the Taft-Hartley law of 1947. The dockers were obliged to return to work without any rise in salary. Through their strategy of entering into direct conflict with the dockers and leaving the situation to deteriorate, the management of the West Coast ports involved other stakeholders who had not been concerned at the beginning of the conflict. These stakeholders consequently became implicit allies in settling the outcome of the conflict in the directors' favour.

When a strategic change occurs, there is a polarization of stakeholders which results in win/win reciprocal relationships *within* alliances, and

win/lose power relationships *between* alliances. Each member of an alliance hopes that his or her alliance will win, less for the alliance's sake, than to achieve his or her own ends (Abbott, 2003, p. 31). The winning stakeholder in a conflict of interests will be the one which has understood the interests of all the other stakeholders. This understanding can be used to mobilize the latter to act in the right direction, and to neutralize opposing parties either by modifying their optimization function, and/or by constituting a stronger alliance.

Adapting stakeholder theory to HRM analysis

Stakeholder theory is not specifically aimed at understanding HRM practices, so in order to make it into a pertinent framework for analysis of HRM, it needs to be revised and adapted. Stakeholder theory describes a political system, whose epicenter is the company. This system is made up of a number of unspecified parties interacting continuously and exclusively. From our standpoint, the stakeholder system is made up of individuals with multiple identities who have to justify the legitimacy of their actions, and whose interests and alliances are defined within a context.

For the predominance of individual parties

The company is not an entity with a will of its own, but is the expression of cooperation and competition between socio-political entities. A firm is a 'legal fiction' whose behaviour results from contractual relationships between individuals holding elements of the production process, whose interactions are crystallized in the company (Coriat and Weinstein, 1995). The contractual relationships between various stakeholders of the firm (clients, suppliers, employees and others) are the essence of what makes up a company. The object of stakeholder theory is the analysis of contractual relationships between individuals, not between organizations. Inter- or intra-organizational contracts spring from inter-individual relationships which may be implicit or explicit.

From this perspective, contracts, laws, company agreements and rules constitute the crystallization at any given moment, of a balance of power between politico-economic parties concerning their ability to recoup their share of the value created by the company. The law can be analysed as the materialization at a given time of the dominant position obtained by an alliance. The same alliance may in turn put this law into action to preserve and defend its own interests. The evolution of economic legislation over the past twenty years shows that HRM

(training, remuneration, redundancies, working hours and so on) is strongly influenced by choices in public policy, notably those resulting from the strategies of influence of professional unions (MEDEF²), and trade unions (CGT, CFDT³) and politicians' understanding of the role of economic activity. Taking account of individuals' reasoning rather than that of the organizations which employ them is particularly pertinent in understanding how public authorities are involved. Behind the organizational structure of public authorities are elected representatives, one of whose objectives is to get re-elected, or at least, to ensure the re-election of a member of their political party. Thus, when the site of the private company *Metaleurop* in Noyelle-Godault was closed in 2003, the French government, via the Prime Minister (M. Raffarin), condemned this restructuring, and decided to involve the government. Paradoxically, it was not the Minister of Social Affairs (M. Fillon), nor the Minister of Industry and the Economy (M. Mer), nor even the Minister of the Environment (Mme Bachelot) – the company being of a polluting nature – who was put in charge of this case. Instead, the responsibility fell to the Minister of Public Administration (M. Delevoye). This paradoxical situation can only be understood if one takes into account the fact that M. Delevoye was a candidate for the 2004 regional elections in the Nord-Pas de Calais (where Noyelle-Godault is located), and his involvement in the government's action might have had a favourable influence on his re-election.

It is necessary to understand the personalized dimension of stakeholders in order to avoid the conceptual vagueness maintained by many stakeholder theorists in whose analytical model, organizations and individuals coexist. Our own analysis considers the stakeholder system as being made up *only* of individuals; organizations are seen only as the expression of their members' interests, the entity where interactions are mediated and where compromises between parties are reached.

Stakeholders with multiplex identities

The complexity of understanding the system of individuals constituting stakeholders stems from their multiple identities, linked to the different roles an individual may play. The same individual can play different roles in the economic, political or social spheres. In the economic sphere he may be an employee, a shareholder or a client, for example. In the political sphere he may be a trade unionist or an elected official, and in the social sphere he could be a parent, consumer, member of an association or church, and so on. The multiplexity of actors' identities

(Breiger, 1974; Tichy, Tushman and Fombrun, 1979) introduces uncertainty as to the type of interests which they will optimize (Rowley and Moldoveanu, 2003), and thus as to the alliances or oppositions with which they will align themselves. As Abbott (2003, p. 46) points out, if socio-economic reality was made up of a small number of actors each with only one identity, it would be easy to understand. Reality is not that simple because political actors are not bound by a single identity.

Multiplexity results in individuals belonging to different groups of stakeholders, which obliges the individual to make judgements concerning his interests, which are sometimes contradictory. The usefulness of one type of interest may overlap with another and these may converge or diverge, leading the individual to abandon certain elements in order to reach a compromise between his various interests. This individual compromise is influenced by the interests and potential actions of other stakeholders involved.

The multiplexity of identities opens up opportunities for strategic management of stakeholders. The development of employee shareholders, or company directors who are also locally elected representatives are cases in point where the actor will be torn between optimizing different utility functions which may turn out to be contradictory. For example, during an acquisition, will the employee/shareholder act as an employee, and move against the acquisition which is often synonymous with redundancies, or will he act as a shareholder and profit from selling his shares to the purchasing company?

This multiplexity can sometimes lead to situations which are defined in law as conflicts of interest, and may lead to the individual's action being questioned on legal and/or legitimate grounds. As an example, during the bankruptcy of Air Lib,⁴ the commission of enquiry from the National Assembly wondered about the conflict of interest potentially present from the start, given that the company was taken over by a former employee of Air France, an Air France shareholder and former president of the Airline Pilots Union (Assemblée Nationale, 2003). The multiplexity of an actor's identity will shed doubt on the legitimacy of his involvement in running a company if one dimension of this identity can be suspected of causing a conflict of interests.

Stakeholder alliances defined within a context

Stakeholder theory is context-dependant because according to the situation of strategic management envisaged, the parties will have more or less power of negotiation and pertinent resources to make alliances to

engage efficiently in opposition. The means used to reach an objective may cause stakeholders' interests to converge or diverge. For example, in order to gain certain competencies, a company can either hire staff or subcontract the activity. If the former solution is chosen, the unions will probably be in favour, but if the company decides on the latter, unions will be more reticent.

The involvement of each of the actors and their mobilization will evolve according to the context, and stakeholders who are adversaries in a situation where their interests diverge, may become allies in another situation where these interests are convergent. There are no objective allies and adversaries, but only allies and adversaries determined by the context of the convergence or divergence of interests in a given situation.

The restructuring plan of the French state-owned railway SNCF in 1995 illustrates that this contextualization is necessary to understand stakeholder involvement and alliance strategies. The directors of the SNCF, back by the right wing government of Alain Juppé in turn supported by the right-wing RPR party, wanted to get rid of 6,000 kilometers of railroad track. This plan would result in a reduction of the workforce. The unions, particularly the CGT, systematically alerted the elected representatives of the towns concerned so that they would put pressure on the government to modify the plan. In fact, this led to what would normally be 'unnatural' alliances, between the SNCF's CGT (quasi-communist) union delegates and the elected representatives of the RPR (deputies, senators and mayors) against the action of the RPR government. Reforms of the Postal Service which will probably lead to post-office closures in France, resulted in the same alliance strategies between left-wing unions (CGT, SUD⁵) and locally elected representatives, particularly from the right-wing UMP⁶ party (mayors, deputies, senators, regional councillors, and so on) to put pressure on the UMP government.

The necessity of justifying the legitimacy of an action

The involvement of a stakeholder in the workings of an organization must be legitimate; that is to say, it must be willingly accepted by others. Conversely, any contestation towards a stockholder's action will firstly occur as a contestation towards the legitimacy of his intervention. The analysis developed by Weber (1971) stated that all dominant parties will seek to gain and maintain the belief in their legitimacy. The legal-rational legitimacy described by Weber is the management rationale – the

justification whereby directors carry out their decisions and management actions. The director appears as the one who is competent because he understands the mechanisms of the market economy and is able to take decisions, which will optimize the interests of the organization. The positive aspect of the 'laws' governing the mechanisms of competition becomes the system, which justifies managerial action. The economic rationality of a management decision may be contested by employees. In France, the law enables them, via their representatives in the Employee Representative Committee, to resort to economic experts endowed with the necessary legitimacy to contest a managerial decision, using the very principles of justification invoked by the director. However, economic justification is not the only factor which can legitimize stakeholder action. Boltanski and Thévenot (1991) showed that within the same economic system, different systems of legitimacy coexist, and other stakeholders will evoke other principles of justification to contest managerial action. The organization may not possess its own 'free will', but it does give employees rational and legitimate principles of justification on which to base their actions. The director's principle of justification will be the survival of the company; that of the trade unions, the defense of employee interests; consumers associations defend the interests of consumers; and elected representatives, those of citizens. The fact of belonging to an organization legitimizes the actions of different parties. The analysis becomes more complex in as much as, besides the diversity of systems of legitimate justification for action, stakeholders may also have a hidden agenda of interests, which are defended under cover of the legitimacy embodied by the justifying principle of their organization.

From the standpoint of strictly rational economics, the 2001 closure of *Metaleurop*, a lead and zinc-producing plant in Noyelle-Godault, was completely legitimate. The following factors are some of the economic justifications for the closure: the market value of zinc in 2001 had reached a historic low; the decline of Western consumption resulted in a 19 per cent drop in the company's turnover; and certain legal factors like work regulations and anti-pollution measures resulted not only in increased production costs but also in increased probability of sanctions due to obsolescent equipment. The strategic decision to close the plant illustrates a rational choice to cease a non-profitable activity. The stakeholders who protested against the restructuring did so mostly from the standpoint of other justification systems: job-protection, social justice, respect for

citizens and workers. Such were the arguments put forward against the site closure.

Towards an exhaustive taxonomy of stakeholders

A recurring objective of stakeholder theorists is to reach an exhaustive definition of stakeholders. The wish to be exhaustive is as much of a scientific challenge as it is a managerial one. Just as the researcher sees the force of his model weakened by the omission of a single element, so a company director unable to correctly identify all the stakeholders affected by his decisions runs the risk of seeing these decisions questioned by the one stakeholder absent from the list.

As far as we are concerned, we have defined different politico-economic roles which might potentially be held by an individual within the system of company stakeholders. These roles constitute ideal-types in Weber's sense. This means that an individual as stakeholder may have to hold several roles given his multiplex nature.⁷ This multiplexity obliges him to make a personal compromise between his various roles before undertaking an action.

Attempting to be exhaustive allows the inclusion within the politico-economic sphere of actors and institutions sometimes ignored in models of analysis of the company environment. For example, this approach enables us to include the public authority as a politico-economic actor disposing of means of action and trying to further its interests by forging temporary alliances according to those interests. The State, through its elected representatives and public officials, is a vehicle of expression of specific interests which can be defended thanks to specific resources, such as the power to legislate, the monopoly of violence (Weber, 1971), administrative back-up and the power to incite action through grants and subsidies.

Beyond affording an exhaustive identification of stakeholders, this approach should aim to define their respective interests, their means of action and the legitimacy of their claim to involvement in the company's activity. Table 7.1 illustrates these four dimensions. This typology of actors defines the characteristics of each, and can help, in a given situation, to identify potential allies and adversaries for the construction of a network of alliances. For example, a company preparing a redundancy plan can anticipate legitimate and influential action on the part of the labour inspectorate. Thus, one large company recruited a labour inspector from the department upon which it depended (he had taken leave of absence) in order to prepare a redundancy plan and present it to the administration. In this way, the risks of opposition from the inspectorate were reduced.

Table 7.1 The four dimensions of an exhaustive taxonomy of stakeholders

<i>Actor</i>	<i>Interests</i>	<i>Means of action</i>	<i>Justifying principle</i>
Managing Director	Salary, job security, status	Authority, information, delegation	Firm's economic performance
Employee	Salary, job security	Passive resistance, strike, competition	Contribution to the firm, law
Trade Union	Representation, negotiating power, status	Representation, rules, strike	Defending workers
Member of Board	Indemnity, dividend, share value	Vote, legal competence	Capitalist ideology, law
Shareholder	Dividend, share value	vote, transfer of shares	Capitalist ideology
Client	Minimum price, maximum quality	Competition	Market forces
Supplier	Maximum price, minimum quality	Competition	Market forces
Competitor	Growth, profit	Strategy	Market forces
Consultant/ Chartered Accountant	Growth, profit	Demand, network	Law
Merchant Banker	Growth, profit	Demand, network	Market forces
Lawyer	Growth, profit	Demand, network	Law
Member of professional association	Company interests	Lobbying	Market forces
Member of consumer association	Minimum price, maximum quality	Lobbying media publicity	Defending minorities
Financial analyst	Reliability of information, status, salary	Grading	Transparency of information
Journalist	Event, reliability of information, status, salary	Publication	Transparency of information
National elected representative	Reelection, taxes, national employment	Use of force, lawmaking subsidies	National public welfare
Local elected representative	Reelection, taxes, local employment	Subsidies	Local public welfare, law
National official	Respect of laws and administrative rules	Law courts, fines, use of force	Public welfare, law
European official	Respect of laws of competition	Law courts, fines	European public welfare

The dynamics of the stakeholders system

From an 'orga-centric' to an acentric system

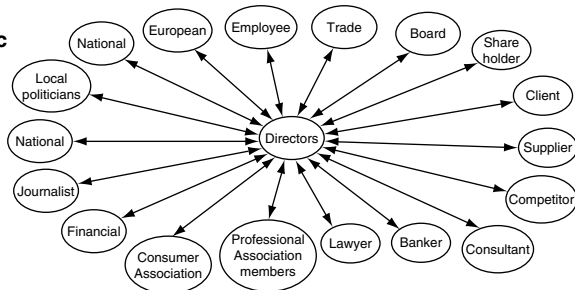
Stakeholder theorists present the stakeholder system as constituting a system of 'orga-centric' actors whose epicenter is the company. From this perspective, the company is a focal point, which maintains a multitude of bilateral links with the various stakeholders.

Company relationships cannot be understood from a dyadic, stable perspective. It is more suitable to consider a systemic approach in as much as all the actors involved with the company to greater or lesser degrees, can be called on to interact with the company, but also with each other in order to manage to influence the functioning of the organization. What is more, the nature of these interactions may vary depending on the interests of the actors towards the management of the company. This approach supposes that we do not consider the company as a collection of bilateral contracts between politico-economic actors unaware of each others existence, but rather as a multitude of actors making and breaking multilateral alliances according to their strategy of optimizing their respective interests.

A systemic approach leads us to consider that stakeholders interact not only with the company itself, but also amongst themselves in order to intervene indirectly in the functioning of the company. From this viewpoint, the company is not the central entity of the politico-economic system, but only one of its component parts. The stakeholder system is an a-centric one in which all actors interact (Figure 7.1). Thus, a redundancy plan will not mobilize the public authorities directly, but publicity in the press and the intervention of local elected representatives will lead to the involvement of the government and the higher echelons of public administration. The employees' ability to obtain concessions from their employer has less to do with their power to influence the employer directly, than with their ability to involve other stakeholders who do have such direct power. These alliance strategies indirectly bring other actors into play within the company's stakeholder system.

It is all the more important to escape from the dyadic approach, in as much as the actors very strategy depends on a systemic perspective in order to involve the maximum number of actors. It is this complex structure of the stakeholder system, which enables the parties concerned to act strategically.

A politico-economic system centred on the director



A director enmeshed within a politico-economic system

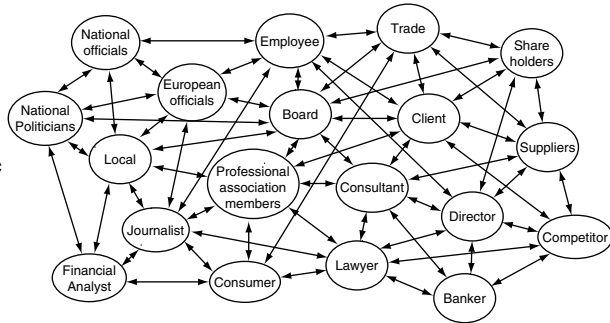


Figure 7.1 A politico-economic system centred on the director, and a director enmeshed within a politico-economic system

Source: Based on R. Mason and I. Mitroff (1981) *Challenging Strategic Planning Assumptions* (John Wiley), p. 324.

Activating the stakeholder system: from virtuality to activity

Stakeholder theory assumes that the system of actors is continuously activated, and that the focal company interacts with its stakeholders on a permanent basis. In order to construct a theoretical framework of stakeholders that is useful for understanding HRM, we will consider that the company is involved in a potential, rather than a permanent relationship with its stakeholders; the company does not deal with consumer associations, public authorities, journalists or politicians on a daily basis. The stakeholder system will only be activated by a decision or a change in the company's reality, and such circumstances will result in a realignment of alliances. The normal situation is a weak level of interaction between politico-economic actors of the system, whose interrelationships are governed by informal routines, rules or contracts which regulate the creation and distribution of value. This low level of conflict is necessary for production to proceed. Occasionally, changes

occur in the company's economic environment, and it is these changes which will incite certain stakeholders to renegotiate their contribution to the distribution of value.

There thus exists a virtual system of stakeholders concerned by the company's functioning. This virtual system is galvanized into 'reality' according to whether managerial decisions involve stakeholders' interests or not. This understanding of the stakeholder system as one which is usually passive, but potentially active when the situation demands it, has two consequences. Firstly, it enables stakeholders to behave strategically in order to involve others. One party cannot claim for itself alone the whole of the value created by a system of production. Alliances must be forged in order to access that value, and, once obtained, the value must be shared with allies. A party will probably join forces with the alliance which has both the strongest chance of obtaining the value created by the system of production, and which will redistribute a maximum share of that value.

The second consequence is that the dimension of timing must be incorporated for a proper understanding of how the stakeholder system is activated. The dynamic of activating the virtual system is gradual; as soon as the director's strategic intentions are made public, the socio-political dynamic will be set in motion, and this will oblige the director to act and react according to the involvement of new stakeholders. The idea of a company as being enmeshed in a network of stakeholders obliges the director to measure his present actions according to their systemic and temporal dimensions. His present behaviour thus contains a clue to his future behaviour, and this information can be used both by his partners and his competitors.

In the context of industrial restructuring and a redundancy plan, media publicity about company HRM practices is one of the strategic weapons employees can use in their relationship with their employer in order to obtain the highest possible compensation. This, however, supposes that management practices or their consequences are of interest to the media. In recent years, redundancy plans have become commonplace, and are no longer considered 'news'. Between 1996 and 2003, France saw an average 1,250 of redundancy plans per year. This situation leads employees and unions to resort to other ways of involving the media and other influential stakeholders. The aim for initial stakeholders is to understand the interests of other stakeholders in order to involve them directly or indirectly. Thus, the trade unions know that newspapers need 'news' to sell papers, so, in order to get media attention, the unions create 'news'. Media involvement is not an end in itself, but it is a way of

involving politicians via public opinion. If we consider this situation, it is clear that stakeholders affected by managerial decisions can form competitive or cooperative relationships with parties hitherto outside the system. These parties, once involved, can be used to influence the managerial decision in question. For example, when the director of Metaleurop decided to close the Noyelle-Gonault plant, the unions' aim was to obtain high compensation and retraining for those who lost their jobs. Thus their aim was not really to preserve the activity. The strategic choice to close the plant, though perfectly legitimate from a strictly rational industrial point of view, clashed totally with the interests of the 830 Metaleurop employees who would lose their income and who had little chance of redeployment in the locality. If the Metaleurop employees had been in a purely dyadic relationship with their employer, they would have been in an almost powerless situation. The company had decided to file for bankruptcy in order to avoid drawing up a redundancy plan obliging them to pay huge sums in compensation. Glencore, the main shareholder of Metaleurop, is a company situated in Switzerland in the Zoug Canton. The company was therefore largely insensitive to pressure from the French public authorities, and in any case on outside the jurisdiction of French courts and administration. In a purely dyadic relationship, the employees of Metaleurop would have had the right to just 2,000 euros of redundancy pay, with the prospect of being professionally and socially marginalized due to their low employability. In order to obtain more favourable compensation for their redundancy, the employees and the unions representing them did not situate the negotiation and conflict inside a dyadic relationship. Instead they acted within the system of actual or potential stakeholders. The employees claimed 50,000 euros in redundancy pay as well as retraining to compensate for loss of revenue and social status. It is from this point of view that the employees' action must be understood.

In order to protest, the employees threatened to pollute the local river, thus involving the local inhabitants and elected representatives. This virulent protest resulted in attention from all the main media: the affair took on national importance, obliging the Prime Minister to take a stand against 'rogue employers' and the Minister of Social Affairs to use his administration to put pressure on the company and help retrain the employees. At the same time, the football club of Lens organized a match against the factory workers. This was widely covered in the media, and reinforced public opinion in favour of the employees.

What is more, the employees and their representatives brought actions before the courts and resorted to legal and economic experts

(lawyers, and others). The company directors were accused of having used legal loopholes to transfer assets among its subsidiaries, these assets being voluntarily undervalued. The directors thus had to resort to financial experts themselves to defend the legitimacy of the selling price.

This example shows how an industrial restructuring, which *a priori* could be understood as a dyadic relationship between employer and employee, can lead to the involvement of a multitude of stakeholders (media, government, local elected representatives, courts, lawyers, chartered accountants, and so on). The involvement of these stakeholders enabled the employees to obtain on average 15,000 euros of redundancy pay, a plan to assist the unemployed to get jobs, plus a government minister's promise to build a prison in the vicinity in order to create employment.

Once the politico-economic system is activated, it remains alerted until the factor which activated it has disappeared. Furthermore, the *outplacement consultants* (BPI and Altedia, for example) which deal with redundancy plans continue to interact with the HRM which employs them, as well as with the employees, the unions, the administration and the media. Thus, in the Metaleurop example, the rate of employee redeployment is regularly mentioned in the media. This has positive or negative repercussions on the outplacement consultants, as well as on the company and local elected representatives.

Conclusion

Stakeholder theory offers a framework of analysis that is relevant to HRM in general, and in particular to industrial restructuring where management success in implementing a redundancy plan is more *a question of adept political handling of stakeholders than of the instrumental process involved in carrying out a decision procedure*. The complexity which has to be grasped is more political than instrumental. It has more to do with comprehending the nature and strategy of the stakeholders, alliances and means of action, than with the formal procedures of restructuring: complying with the obligations of the labour laws, for example, justifying and defining the redundancy plan, making a provisional forecast of the reemployment plan, redundancy plan, and so forth.

However, the theory has to be adapted and refined if it is to become a pertinent framework for HRM practices. Stakeholders are individuals linked to organizations, and these links will define their role but will not strictly determine their identity and the type of optimization they seek. Individuals have multiplex identities, which result in their getting

involved with the organization's functioning according to specific management circumstances. Stakeholders constitute a system whose interactions are determined within a context. These interactions may be indirect with the focal organization, and may depend on strategies adopted by initial stakeholders to involve others.

The fact that interactions within the system are not strictly determined opens perspectives for strategic management of the company stakeholders. Depending on the context, directors will find themselves anticipating the involvement of stakeholder interests, they will be obliged to forge alliances and handle resistance to change, in order to formulate and carry out their management choices.

Notes

- 1 The average cost for Danone of closing the LU plant was 60,000 euros per employee, whereas the strict application of legal requirements would have limited compensation to about 4,000 euros per employee.
- 2 Mouvement des Entreprises de France.
- 3 Confédération Générale du Travail, Confédération Française Du Travail.
- 4 A French airline company.
- 5 Solidaires, Unitaires, Démocratiques.
- 6 Union pour un Mouvement Populaire.
- 7 For the sake of clarity, the typology does not contain social roles (parent, member of a sports association, member of a church, and so on).

Bibliography

- Abbott, A. (2003) 'Ecologies liées: a propos du système des professions', in P.-M. Menger (ed.), *Les professions et leurs sociologies* (Paris: Presses Universitaires de France) pp. 29–50.
- Assemblée Nationale (2003) *Rapport no. 906 sur les causes économiques et financières de la disparition d'Air Lib* (Paris).
- Boltanski, L. and Thévenot, L. (1991) *De la justification. Les économies de la grandeur* (Paris: Gallimard).
- Brabet, J. (1993) *Repenser la GRH?* (Paris: Economica).
- Breiger, R. (1974) 'The Duality of Persons and Groups', *Social Forces*, no. 53, pp. 181–9.
- Carroll, A. (1979) 'A Three-dimensional Conceptual Model of Corporate Performance', *Academy of Management Review*, no. 4, pp. 497–505.
- Clarkson, M. (1995) 'A Stakeholder Framework for Analyzing and Evaluating Corporate Social Performance', *Academy of Management Review*, no. 20, pp. 92–117.
- Coriat, B. and Weinstein, O. (1995) *Les nouvelles théories de l'entreprise* (Paris: Livre de Poche).
- Donaldson, T. and Preston, L. (1995) 'The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications', *Academy of Management Review*, vol. 20, no. 1, pp. 65–91.

- Durkheim, E. (1930) *De la division du travail social* (Paris: Presses Universitaires de France).
- Freeman, R.E. (1984) *Strategic Management: A Stakeholder Approach* (Boston: Pitman).
- Freeman, R.E. and Evan, W.M. (1990) 'Corporate Governance: A Stakeholder Interpretation', *Journal of Behavioural Economics*, vol. 19, no. 4.
- Frooman, J. (1999) 'Stakeholder Influence Strategies', *Academy of Management Review*, no. 24, pp. 191–205.
- Goodpaster, K. (1991) 'Business and Stakeholder Analysis', *Business Ethics Quarterly*, no. 1, pp. 53–74.
- Manson, R. and Mitroff, I. (1981) *Challenging Strategic Planning Assumptions* (New York: John Wiley).
- Mitchell, R., Agle, B. and Wood, D. (1997) 'Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of Who and What Really Counts', *Academy of Management Review*, vol. 22, no. 4, pp. 853–86.
- Mitroff, I. (1983) *Stakeholders of the Organizational Mind* (New York: Jossey-Bass).
- Moldoveanu, M. and Rowley, T. (2003) 'When Will Stakeholder Groups Act? An Interest and Identity-Based Model of Stakeholder Group Mobilization', *Academy of Management Review*, vol. 28, no. 2, pp. 204–19.
- Rowley, T. (1997) 'Moving Beyond Dyadic Ties: A Network Theory of Stakeholder Influences', *Academy of Management Review*, vol. 22, pp. 887–910.
- Savage, G., Nix, T., Whitehead, C. and Blair, J. (1991) 'Strategies for Assessing and Managing Stakeholders', *Academy of Management Review*, vol. 5, no. 2, pp. 61–75.
- Svendsen, A. (1998) *The Stakeholder Strategy: Profiting from Collaborative Business Relationships* (San Francisco: Berrett-Koehler Publisher).
- Tichy, A., Tushman, M.L. and Fombrun, M.V. (1979) 'Social Network Analysis for Organizations', *Academy of Management Review*, vol. 4, no. 4, pp. 507–20.
- Weber, M. (1971) *Le savant et le politique* (Paris: Edition Plon).

8

From Power to Knowledge Relationships: Stakeholder Interactions as Learning Partnerships

Elena P. Antonacopoulou and Jérôme Meric*

Introduction

Since it progressively became a major topic in Management Science from the late 1980s, the word 'tradition' can be used today to best describe stakeholder theory. Relations between the firm and stakeholders are 'traditionally' conceived on a single opposition axis introducing two main patterns of relations. On the one hand, stakeholders can intensify pressure over the firm thus, creating conflict. On the other hand, dialogue and partnership can be set through different methods, like the participation of NGOs in decision processes and strategic actions. In both cases, the patterns of relations are assumed to take place in the context of conflicting interests. This mode of conceptualizing stakeholder relations places power as a core dimension shaping stakeholder relationships. It could be argued that power relations seem to be the only imaginable relationships between the firm and those with whom it interacts – its 'interactors'. In such a context, institutionalizing 'fair contracts' seems to be the only solution to overcome conflicting power relations. However, if such contracts are to be defined, it seems necessary to consider their possible content and the stakeholder relations they imply.

As we have argued elsewhere (see Antonacopoulou and Meric, 2005), the internal contradictions between, on the one hand, the ideology of social good and, on the other hand, the ideology of control are not fully accounted for in the way stakeholder theory is popularized in recent

*The author would like to acknowledge the support of the ESRC/EPSRC Advanced Institute of Management Research under grant number RES-331-25-0024 for this research.

years. Our critique emphasizes the need to engage with the underlying values that are at stake, thus revealing the way *stakeholder* analysis unveils not only subjectivities but identities that are at stake. If we are to move the debate of stakeholder theory forward, we need to extend the ideology of stakeholder theory, which focuses on contractual arrangements based on power relations.

In this chapter, we respond directly to this need by proposing an alternative dimension, which could also help us conceptualize contractual arrangements. We argue that stakeholder relations can be usefully examined through a knowledge lens. Conceptualizing stakeholder relations as knowledge relations could be a useful way for rethinking the forces driving stakeholder relations. By drawing attention to the importance of knowledge and learning the role of interaction between stakeholders becomes more prominent. Interaction can be better understood as a source of value-creation that can also positively affect accountable action. Unlike transactional models, which focus on one aspect of relationships, interactions suggest a longer-term relationship which both parties may be more inclined to invest in. The notion of a knowledge-based interaction as a way of rethinking stakeholder relations, leads us to also suggest an alternative type of contractual relationship between stakeholders. Instead of seeing stakeholders as standing in opposition to each other, we argue that knowledge-based interactions can foster learning partnerships. These learning partnerships re-enforce the interdependency between stakeholders as part of a wider social whole, where attention is not on self-interest but on mutual interests.

Drawing on ideas of Social Capital we introduce the notion of *interdependency contract* as a new mode of contractual arrangements underlying stakeholder relations. We seek to emphasize through these contracts the importance of pursuing mutual and collective interests. Interdependency contracts, we argue, place knowledge and learning not as commodities to be exchanged, but as feedback systems supporting and aiding the development of different communities of practice. Feedback systems, as Antonacopoulou and Papamichail (2004) point out, reflect the social structures that support knowledge flows in organizations in the way existing lessons learned are codified, stored and distributed among members of a community. In the context of stakeholder relations, feedback systems would be a powerful means of supporting interdependency contracts in at least three ways. Firstly, by providing space for reflection on the actions of stakeholders, thus highlighting the impact of these actions on others helping to raise more prominently the need for greater understanding of the assumptions made. Secondly, the knowledge

relied upon in taking a course of action can be made more explicit. And, thirdly, the importance of learning from experiences when stakeholders interact can be highlighted. Furthermore, feedback systems could help further exemplify the hidden issues that different stakeholders have at stake, highlighting that collective interests can still be political but potentially less-damaging if enough diversity is accommodated in the interdependency contract.

We discuss these issues in more detail and organize our analysis in three main sections. We present first a critique of the main theories of contracts in relation to theories of agents and their relationships. We distil from this discussion the various characteristics of stakeholder relationships, and then discuss and distinguish between power and knowledge-based stakeholder relationships to show the way interactions between stakeholders shape their motives and actions. We present the main principles underpinning our proposed interdependency contracts in the context of stakeholder learning partnerships, and conclude with some suggestions for future stakeholder theory, research and practice.

Contractual arrangements underlying stakeholder relations

The normative view of stakeholder theory holds that organizations should be run for the interest of all stakeholders (Freeman, 1984). Freeman and Evan (1990) refer to the theory of Coase (1937) to hold that relations between stakeholders cannot be conceived outside the formulation of these 'fair contracts'. The normative stakeholder view supposes that relations between firms and stakeholders should be shaped according to a contractual model. Such an approach restricts relations to part-to-part agreements, which have to provide answers to essentially economic problems. In his attempt to 'reconcile' stakeholder theory and the nexus-of-contracts, Boatright (2002) defends that contracts are the only way to ensure constituencies' protection, and, thus, the fairness of relationships. Hill and Jones (1992) transpose the principal-agent relation into the stakeholder paradigm to finally consider that managers ought to be the agents for all stakeholders.

From the first part of the twentieth century, there have been numerous attempts to formalize contract-based theories of organizations. Before becoming interpretative standards, those theories were proposing possible explanations to the development of firms (as alternative shapes of organizations, see Ouchi, 1980). The successive views on contractual relations seem to follow a cumulative pattern. Historical reviews could show that, in this particular domain as for many management fields of

research, each new theoretical framework is built over the assumptions of the preceding ones. As we have tried to show elsewhere, this process based on 'generalization-by-absorption' (Méric, 2003) can be understood as an attempt to improve the legitimacy of new theoretical corpuses. Though such an attitude is in no way a passport for scientificity (Antonacopoulou and Méric, 2005), it seems that stakeholder theory followed this model. Using altogether the key hypotheses of contractual theories, the stakeholder view has become integral to management discourse.

The first contributions in contract-based approaches are focused on intra-organizational relations. When considering the main reasons why firms should be preferred to markets, Coase (1937) introduces long-term contracts as an alternative to market relations, which could help save transaction costs. Firms are supposed to exist when an entrepreneur holds the power to decide how to allocate resources. According to Simon (1957), in the case of job contracts, co-contractors agree on the wages and on the procedure to follow in order to determine precisely which tasks have to be achieved. But neither Simon nor Coase explore the problems that can emerge once such contracts are applied (especially once resources have been allocated). Management by Objectives (MBO) pragmatically answers this concern (Drucker, 1954). The acceptance of short-term objectives strictly follows the contractual model. As a conceptual framework, agency theory helps analyse both intra and extra-organizational (though focused on shareholders and in a lesser extent, on creditors) delegation and control relations. The agency relationship is conceived as 'a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on his or her behalf which involves some decision-making authority to the agent' (Jensen and Meckling, 1976, p. 308). In such a theoretical context, relations are built around two main dimensions. First, delegation allows the agent to act and to make decisions instead of the principal. To be able to do so, the agent is provided with specific resources. Then, control processes concur to reduce informational asymmetry. They focus on results and on a certain scope of methods, but they are supposed to guarantee the agent's autonomy in the accomplishment of his/her tasks. Agency contracts are said to be fair when specific conditions are met, that is to say:

- if relevant resources are chosen;
- if the principal does not interfere with the agent; and
- if informational feedback allows the appraisal of the agent's efficacy and efficiency.

As a result, if contracts are to determine the only way to shape stakeholder relations, the transactional model of the firm implies that the concepts of legitimacy (to enter a contractual agreement) of the informational function, and of global fairness, can be generalized to other social actors. But, as we already showed (Antonacopoulou and Méric, 2005), it seems extremely hard to succeed in this attempt. First of all, one can hardly extend the concept of legitimacy outside the classical principal-agent relation. For instance, including 'nature' or its representatives (customers or pressure groups) into a contractual relation is closer to metaphor than to effective contracts. Moreover, the role of information cannot be the same when comparing, for example, investors and NGOs. The first category of stakeholders is expecting business information that can help determine if the contractual relation is worth investing in. The second one is seen as a potential source of problems that has to be convinced not to vie with the firm. Lastly, the 'fair contract' model cannot be extended to the entire set of external or internal actors. In light of these issues, one might ask what would be the obligation of communities or of pressure groups towards a company? If such a relation were to exist, it would mean that firms are able to control any shape of counter-power, resorting into a range of 'non-aggressive' pacts.

Perhaps this sudden greed for 'contracts' in stakeholder relations can be explained through the underpinning assumption that, outside contractual agreements, the only possible links between firms and stakeholders are based on power. Even in the critical perspective offered by Sutton and Arnold (1998), multilateral contracts are proposed as an alternative to always advantaging 'the mightier'.

Leanna and Rousseau (2000) propose to leave the classical contractual pattern. They suggest that relationships should be preferred to transactions in the process of organizational wealth-creation. Transactions can be a one-time only agreement, whereas relationships suppose continuity and ambiguity (they can include either conflicts or collaborative relations). Post, Preston and Sachs (2002) seem definitive about getting rid of the contractual model, when proposing that 'stakeholders in a firm are individuals and constituencies that contribute, either voluntarily or involuntarily, to its wealth-creating capacity' (2002, p. 6). The possible absence of willingness excludes any shape of formal or even informal contracts, at least part-to-part ones.

This discussion reinforces the argument that the dominant stakeholder view seems to mix declared empiric observations and the generalization of contractual models (Antonacopoulou and Méric, 2005). Self-evidence is often confused with an empirical approach. This is obviously the case

with the descriptive and instrumental sides of stakeholder theory. This ideological mixture, paradoxically, leads to adopt extremely restrictive conceptions of what is supposed to be an 'extended enterprise'. What companies see as being their stakeholders cannot be supposed to define the only set of stakeholders. Such an attitude not only hinders any shape of comprehensive analysis, but it may also lead to neglecting social 'weak links' (Granovetter, 1973). Furthermore, focusing on a restricted set of stakeholders may foster companies to consider them as more important than they actually are. For instance, assuming that competitors do not belong to the field of stakeholders ignores the fact that they and the firm could work together for the general interest of their industry (Post, Preston and Sachs, 2002). These statements lead us to consider that the definition of stakeholders is closely linked with the way relational nets between social actors are visualized.

Would it be possible to leave the contractual approach of stakeholders to propose a new definition of these actors? This is an important question and it would also call for a need to analyse agents and their relation in the context of who is included in the frame. This implies that stakeholder perspectives may often be limited to those actors/players that are seen as part of the picture (a particular situation/problem) at a particular point in time. Thus, proposing predetermined lists of stakeholders or inserting stakeholder relationships into far too simple models may contribute to worsen the organization's perceptive limitations. For instance, the classical proposition based on part-to-part contracts is underpinned by the assumption that stakeholders and firms only develop power or economic relations. Restricting the relational scope to political or economic matters, as an attitude, is much more theoretical than it is empirical. This does not reflect a holistic view of the multiple and complex stakeholder relationships, and it is therefore critical in understanding agents and their relationships to also understand how they are framed and how these frames are inclusive as much as they are exclusive of some actors. In rethinking stakeholder theory, therefore, we need to think about ways of reframing stakeholder analysis by drawing attention not only to the diverse and often competing interests of different actors, but also the way they interact and the ways in which their interactions reinforce their interdependencies. In extending the stakeholder view we adopt a phenomenological approach focusing on interactions between social actors in relation to the underlying forces that underpin their relationship. One such force that supports stakeholder interactions is knowledge. We explore this issue next.

Stakeholders as 'interactors': knowledge-based relationships

If we adopt the phenomenological presupposition that 'organizations are what they do and perceive', as Post, Preston and Sachs (2002) suggest, then the definition of stakeholders that is based on the 'impact' view is no longer satisfactory. When a situation is said to be 'at stake', it usually means that somebody has to win or to lose something if the situation occurs or not. Thus, what is 'at stake' for any actor regarding an organization means 'what this actor could lose or win if the organization does so or not'. Concretely speaking, when a refinery rejects poisonous rubbish inside a river, the inhabitants of the area can be contaminated. This has nothing to do directly with the organizational objectives, but it is related with how the company actually acts. When the same inhabitants set a specific association to complain about the human damages of such operations, they develop a new shape of action. In fact, they are *interacting* with the company. In such a situation, there is no matter of control, just *interaction*. Of course, the organization's responsibility is at stake, but it does not refer to any shape of part-to-part contract. Contractual accountability is replaced with the responsibility for how the organization is acting. There is no measurement for this type of responsibility, just problems that may occur due to interaction. What *matters* with what the organization does cannot be reduced to a certain scope of objectives and measures. Last but not least, this situation has nothing to do with power relations. In this specific context, the association cannot be considered as a pressure group; it is just a group of actors who matter with the consequences of a very narrow set of the company's actions. Interpreting this situation through the prism of power relations would reduce the scope of possible interactions between organizations and stakeholders, as well as the scope of possible responses from each constituency.

This first step in our critical analysis leads us to choose a phenomenological definition of stakeholders: individuals or groups of individuals that interact – or can interact – with the organization. But is it enough to reinterpret the stakeholder view? It is now necessary to consider the scope of possible interactions, and to explore if all of them are actually taken into account in the 'traditional' stakeholder view.

Considerations over interactions enlarge the scope of stakeholder relations. Nevertheless, the commonly used definitions of these actors are often embedded in a restricted conception of possible relationships. Management science distinguishes three dimensions in stakeholder relationships: descriptive, instrumental, and normative (see Freeman and

Reed, 1983; Windsor, 1998). Though scholars seem to have acknowledged this three-dimensional characteristic, it is difficult for practitioners not to adopt a single stakeholder approach, where identification methods, wealth-creation objectives and moral concerns are considered altogether.

Instrumental and moral matters are mixed with the firm's interests (Post, Preston and Sachs, 2002), as far as Ethics are supposed to 'pay'. Companies that acknowledge individual integrity avoid the costs due to crises, and improve their aura within the professional community. They finally gather together the conditions for surviving inside competitive markets. Even when initial considerations are 'Ethical', though not the only ones (Koll, 2003), the firm's interests are mainly focusing on the economic impact (Greenley and Foxall, 1998). As a result, leaving the transactional pattern does not provide a sufficient basis to analyse stakeholder relations in wider than economic terms.

Stakeholder relationships include all forms of relations established by the company with its stakeholders. These relationships could be licensing agreements, partnering agreements, financial relations, contracts and arrangements about distribution channels. The stakeholder relationships include also customer loyalty, company names and brand image, which represent a fundamental link between the company and its stakeholders (Neely and Adams, 2002). Nevertheless, even extensive views of continuous relationships are often, and once again, limited to economic considerations. This phenomenon could be described as what Granovetter (1985) calls the 'undersocialization' phenomenon: organizations, just as individuals, are supposed to maximize their utility on competitive markets, excluding influence and social contacts. Those contacts, on the contrary, would hinder the necessary competitive game between companies. In such a context, firms have *demands* or *expectations* towards their stakeholders. Their duties or responsibility are restricted to a set of reciprocal commitments. Many analyses of these demands have been proposed in the literature, and Table 8.1 presents a brief synthesis of these various contributions provided by Neely and Adams (2002).

Mitchell, Agle and Wood (1997) introduce the role of *salience* and argue that the degree to which one stakeholder can succeed in getting its claims or interests ranked high in other stakeholders' agendas is a neglected aspect of stakeholder theory. In their view stakeholder theory is unable to answer this question, because much emphasis is placed on the issue of *legitimacy* or normative appropriateness. Theorists grant disproportionate weight to the contractual or moral rightness or wrongness of a stakeholder's claims and relationship to the firm. While legitimacy is an important variable, two other factors must be considered when mapping out stakeholder class

Table 8.1 Typical demands towards stakeholders

<i>Typical stakeholders</i>	<i>Demands from organizations</i>
Investors	Capital for growth, greater risk-taking, long-term support
Customers	Profitability, retention, loyalty, advocacy, feedback
Intermediaries	Planning forecasts, forward-demand visibility
Employees	Flexibility, multi-skilling, antisocial hours, suggestions
Suppliers	More outsourcing, fewer vendors, total solutions, integration
Regulators	Cross-border consistency, informal advice, early involvement
Communities	Skilled employment pool, grants, support, integration
Pressure groups	Closer cooperation, shared research, co-branding
Alliance partners	Cross-selling, co-development, cost-sharing

relationships. One factor consists of *power* defined as the ability to influence the actions of other stakeholders and to bring out the desired outcomes. This is done through the use of coercive-physical, material-financial and normative-symbolic resources at one's disposal. The other factor is that of *urgency* or attention-getting capacity. This is the ability to impress the critical and pressing character of one's claims or interests, goals that are time-sensitive and will be costly if delayed.

These three 'other-directed' attributes (legitimacy, power, urgency) are highly variable; they are socially constructed; and they can be possessed with or without consciousness and will. They can also intersect or be combined in multiple ways, such that stakeholder salience will be positively related to the cumulative number of attributes effectively possessed (Mitchell *et al.*, 1997, pp. 865, 868–70, 873). All three factors must be considered simultaneously in that 'power gains authority through legitimacy, and it gains exercise through urgency' (*ibid.*, p. 869). These dimensions are employed to build a typology of stakeholders reflecting variable degrees of salience and types of relationship, thus distinguishing between definitive, dominant, dependent, dormant, discretionary and demanding stakeholders. Mitchell *et al.* (1997) define each category in the following way:

- *definitive* stakeholders are those who possess all three attributes and will therefore receive the greatest stakeholder attention; those who possess power and are perceived as having legitimate claims;
- *dependent* stakeholders are those whose claims are deemed legitimate and urgent;

- *dangerous* stakeholders are those who possess power and have claims that are urgent though not legitimate;
- *dormant* are the least salient stakeholders; that is, they are powerful but with claims that are deemed neither urgent nor legitimate;
- *discretionary* stakeholders are those who have legitimacy without power and urgency; and
- *demanding* stakeholders are those who have urgency without power or legitimacy.

Mitchell *et al.* (1997) use a general category referred to as 'nonstakeholder' to account for all those who possess none of these attributes into a residual category.

The demands from organizations as well as the categories proposed above reflect the often one-sided approach in which stakeholder relationships may be pursued. This creates a tension that soon introduces self-interest as the underlying principle of interaction. Theoretically speaking, such an attitude could be resolved through the institutionalization of part-to-part contracts and as we have already explained in the previous section, not through transactional contracts. They cannot provide a satisfactory framework for analysing stakeholder relations. Thus, the main bases for our reconsideration of stakeholder relations have to be found elsewhere.

When considering practice, as Neely and Adams (2002) argue, the needs and wants of the organization from its stakeholders are constantly in dialogue:

We would suggest that gaining a clear understanding of the 'dynamic tension' that exists between what stakeholders want and need from the organisation, and what the organisation wants and needs from its stakeholders, can be an extremely valuable learning exercise for the vast majority of corporations and, especially, their respective business units.

Here lies an important complementary approach to the phenomenological definition we propose above. The view of winners and losers in stakeholder relations and a search for 'what is at stake' spontaneously leads to restricting the relations to self-interest. Self-interests reflect gains and losses. However, they neglect the different perspectives that emanate from different knowledge bases and understandings. 'Interaction' has numerous meanings. Once again, restricting this term to its economic or political signification reveals a very poor conception of what the relations between the firm and stakeholders can be, thus, delivering an incomplete definition of stakeholders. Beyond politics

and purely economic considerations, stakeholders and firms *interact* in the meaning of Mead (1934) or of Berger and Luckmann (1966). Interaction is not only material or tangible, but also symbolic.

Stakeholders take part to the company's knowledge-creation process, a participation that occurs at least at the level of 'being here'. Even by merely existing and acting in the economic, political or social environment helps the company structure its own reality (Berger and Luckmann, 1966). Beyond this minimum level of cognitive interaction, stakeholders carry their own realities that may or may not conflict with those of the firms. According to cybernetic models of learning (Katz and Kahn, 1966), they also provide companies with variously formulated informational feedback. This is the case, for instance, of mass media, which are not commonly included in the traditional set of specific stakeholders. The common way of considering media in management science is often limited to their instrumentality as communication vectors (that is, media planning for instance), as if, in practice, the non-instrumental feedback on strategic, financial or environmental policies had no impact on the way businesses are run. As far as learning is concerned, firms may take a greater advantage from non-instrumental stakeholders than from completely controllable ones.

Stakeholder relationships compose a platform for building intentional or unintentional 'learning partnerships'. In the same way as competition is seen as 'co-opetition' (Bradenburger and Nalebuff, 1996; Post, Preston and Sachs, 2002), equally stakeholder relations can be repositioned as 'interdependency contracts' based on learning and knowledge-sharing. We explore these issues in relation to social capital in the next section.

Stakeholder learning partnerships: a case for the *interdependency contract*

The discussion so far has highlighted the importance of recognizing the various elements at stake that shape stakeholder relations. Beyond power, transactions and self-interest we also need to acknowledge the importance of emotion and moral judgements (Lozano, 2005). In the context of the moral agenda, Burton and Dunn (1996) highlight the utilitarian and deontological versions of moral judgement. Drawing on Feminist philosophy the moral agenda moves beyond the notion of contracts having a moral dimension. Instead, as Burton and Dunn (1996) point out, a key dimension of contracts is also care, which in their view reinforces the importance of action and, with that, responsibility. The proposition is that where there is responsible action there is also interdependency. However, it is one thing recognizing that there are

multiple and competing interests and quite another seeking to understand and respond to the issues that are in the best interests of other stakeholders. This relational mode of engagement highlights the importance of building and maintaining relationships rather than merely managing them (Lozano, 2004).

The emphasis on managing connections and enhancing the interaction between different stakeholders in society lies at the core of the idea of 'social capital' (Nahapiet and Ghoshal, 1998; Lin *et al.*, 2001; Inkpen and Tsang, 2005). The dimensions of social capital advanced by Nahapiet and Ghoshal (1998) sensitize us both to the nature of interaction between stakeholders, as well as the underlying motives and actions which guide the way stakeholders are connected in a complex web of relationships. They distinguish between three dimensions of social capital: the 'structural', the 'relational' and the 'cognitive' dimensions.

The 'structural' dimension emphasizes the nature of connections through information channels that reduce time and investment required to gather information. Networking becomes a central practice in stakeholders' efforts to reinforce connections with others, recognizing and valuing obligations, identifying themselves by sharing values and norms and emphasizing the importance of trust. These are the very elements which constitute the 'relational' dimension of social capital. Connections can only take place if the various constituencies appreciate the importance of interpersonal relations, obligations, norms and traditions. This point also suggests that beyond explicit efforts to clearly communicate assumptions, perceptions and expectations, there is a 'cognitive' dimension that implies that tacitly the mental models, the subtleties in day-to-day interactions, the shared narratives and language also play an important part in the process of developing a working net of connections between stakeholders. The three dimensions of social capital reinforce the importance of interdependency between stakeholders. Importantly, though, these dimensions also emphasize the importance of interdependency based on interconnectivity. This point suggests that stakeholders not only interact in relation to a set of practices which demand that they work together; more fundamentally, stakeholders interact because they share common interests and depend on each other to accomplish these. A key challenge, therefore, for stakeholder relations lies in the nature of collaboration and in particular the means by which the possible partnerships that are essential for interconnectivity and interdependency are developed.

We would argue that knowledge and learning are two key processes that influence the way stakeholder relations are formed. We suggest,

therefore, that stakeholder learning partnerships would be critical in supporting the development of interdependency contracts. Learning partnerships would not only colour stakeholder relations in a more positive tone, they would also shape the way in which stakeholders interact. The workings of stakeholder interactions as a learning partnership is not simply a set of moral obligations and connections based on knowledge, nor is it simply a set of structured learning practices intended to support the creation, storage and dissemination of mutually valued knowledge. More fundamentally, learning partnerships are based on *knowing* – the way knowledge and learning are socially constructed in practice (Brown and Duguid, 2001). Therefore, when we refer to learning partnerships and knowledge-based stakeholder relations, our focus on knowing reflects our effort to embrace not only information dissemination, but also ways of understanding, insight, skills and expertise that lie both at personal/individual and collective levels and are manifested in practices – activities, actions and interactions (Tsoukas and Vladimirov, 2002; Berends, Boersma and Weggeman, 2003). Our emphasis on knowing in relation to modes of interaction between stakeholders can also be usefully located in much current thinking in relation to the idea of communities of practice (Lave and Wenger, 1991; Wenger, 2000). The main tenet of this theory in relation to ideas of social capital is that practitioners within a community share insights as much as they share common routines. Embedded in their actions is the inherent interdependency that influences not only the reasons why they are connected, but also the ways in which they are connected and the activities that help reinforce their reliance on each other to achieve both their personal and collective interests. Stakeholders are therefore not only ‘interactors’, they are members of communities of practices, and as *actants* they build connections that create networks sustaining the interaction and interdependency between stakeholders. It is this interdependency that also transforms networks from simple connections to a dynamic complex working net of interactions.

Defined as an ‘interactor’ (or *interactant*), a stakeholder could be considered a part of organizational learning processes. Instead of focusing on the way stakeholders should be approached in a political model, we suggest that ‘positive’ effects can emerge from their interacting with the organization. In other words, when individuals have to take into account their organization’s relation to other actors, they could consider it as a learning opportunity. Taking into consideration this new perspective of ‘stakeholdership’ may highlight the learning processes that can be shaped outside or across the organizational frontiers.

Therefore, the connections that different stakeholders create as they interact are both a source of learning and a space for learning. The latter not only broadens the agenda of learning beyond organization-specific issues, it also paves the way for learning differently (that is in non-organizational determined ways). The challenges that stakeholders present the firm are as much to do with the way it learns as it is with the way it operates. Perhaps it is these challenges, in learning to act differently, that introduce the power of learning partnerships that stakeholder interactions could entail.

The importance, benefits and challenges of collaborative learning have attracted considerable attention across a range of literature, most prominently of which relate to studies of collaboration and inter-organizational alliances (Inkpen, 2002; Bergquist *et al.*, 1995). Several commentators acknowledge that inter-organizational learning can lead to a series of planned and unplanned learning outcomes (Beamish and Berdrow, 2003; Hardy *et al.*, 2003; Nooteboom, 2000). Ingram's (2002, p. 642) definition of inter-organizational learning highlights the kinds of learning possibilities which might be evidenced in practice: 'Interorganizational learning occurs when one organization causes a change in the capacities of another, whether through experience sharing, or by somehow stimulating innovation'. Recent studies have also illustrated that knowledge-creation and transfer (Mothe and Quélin, 2000), learning new ways of interacting and structuring collaboration (Benson-Rea and Wilson, 2003), as well as improved performance of collaborative entities (Zollo *et al.*, 2002) are also some of the potential learning outcomes. Hibbert and Huxham (2004) integrate the various perspectives on learning from partnerships and collaborations and develop a theoretical model that identifies five sets of characteristics of collaborative situations, which could have a bearing on the learning outcomes. The boundaries between these categories are blurred and inter-relationships can be identified between these elements, which are:

- Partner complexity – diversity, culture;
- Structural characteristics – network and/or partnership forms;
- Management style/stance – participative or controlling;
- Knowledge characteristics – explicit and tacit;
- Understanding and experience – learning, the field of enquiry, collaboration.

All these factors combine to create a series of 'learning trajectories' which, as Hibbert and Huxham (2004) point out, could emerge as a

result of the attitudes to learning and the patterns of engagement in the way learning partnerships are formed. In particular, they show three learning trajectories based on the ways in which partners in a collaborative setting engage with each of the collaborative characteristics. They identify a 'selfish', a 'sharing' or a 'sidelined' learning trajectory which they summarize in relation to the collaborative characteristics as a set of behaviours. We reproduce their summary as Table 8.2.

This analysis highlights not only the opportunities of learning partnerships but also the challenges. In proposing learning as a core dimension of stakeholder interactions we do not negate the challenges of competing priorities among partners (in this case stakeholders). Evidently, issues like self-interest in learning attitudes remain a force affecting the nature of engagement between stakeholders. However, we would argue that making these attitudes more explicit may help to inform the choices about the learning possibilities that are more malleable in relation to the nature of the engagement sought. This, as Hibbert and Huxham (2004, p. 11) argue, could be a way in which certain learning possibilities can be enabled while others suppressed, in defining the nature of engagement which can preserve the individual and yet inter-connected nature of learning.

Another challenge in learning partnerships amongst stakeholders is that categories of stakeholders cannot be the same for all individuals, *a fortiori* for all organizations. Berger and Luckmann (1966) do insist on the fact that the interactive construction of one's reality is partly shared with other *actants*, and partially due to individual interpretations. This means that each individual possesses his/her own view of each

Table 8.2 Summary of collaborative learning trajectories

<i>Trajectory</i>	<i>Selfish</i>	<i>Sharing</i>	<i>Sideline</i>
<i>Partner complexity Structures</i>	Restricted Partnership	Explored Partnership/Network	Potentially involved Partnership/Network
<i>Management style</i>	Controlling	Partnering	Partnering or controlling?
<i>Experienced needed</i>	Learning	Combinations	Learning or collaborating?
<i>Knowledge 'obtainable' (mode of knowing)</i>	Largely explicit	Explicit or tacit	Could support either?

Source: Based on Hibbert and Huxham (2004).

stakeholder's characteristics and the extent to which they wish to interact with them and can learn from their interaction. For instance, even 'shareholders' are not perceived within the same frames whether you address a top manager or an operational one. Social distance, emotional artefacts and perceived actions differ from one point to another inside and outside the organization.

If we assume that individuals within the organizations build their own representations of stakeholders, it seems necessary to examine how they categorize social actors as potential or actual stakeholders. This should be the first step in the examination of learning partnerships. As far as cognitive psychology is concerned, there are at least three ways to conceive categorization processes. For the purpose of our discussion we describe them as:

- the classical (or attributive) categorization;
- the prototypical view; and
- the dynamic approach.

The classical theory of categorization conceives categories as sets of elements with common properties, and objectivist conceptions of categories are based on the assumption that 'common properties' are given data (Lakoff, 1987). This may be a quite naïve assumption regarding the experiential dimension of interaction. There is always somebody defining and perceiving the criteria to be taken into account in the construction of a specific set of elements. As far as stakeholder identification is concerned, the attributive view on categorization offers wide perspectives in research as well as for situational interpretations, especially when considering the role of personal and interpersonal beliefs in the construction of stakeholder sets. Nevertheless, it leaves only limited space to analyse the impact of interactions onto the evolution of such categories in the minds of organization members.

Rosch (1978) proposes an alternative theory based on category prototypes. Categories are still sets in which some elements are considered better representatives than others. This approach assumes that trying to build a complete list of specific attributes is impossible or at least extremely reductive. The representativeness of one element depends on its distance to a salient element named the 'prototype'; this prototype may exist, but it can be an abstract construct also. Lorenz (1981) tested the case of geese that can confuse a wooden egg with a real one because of the similarity to their own prototype of eggs. This approach supposes one's ability to build the archetype from nowhere, which also sounds

quite naïve, or from experience. This specific point of view highlights the importance of learning dynamics in the identification process of stakeholders, and also allows us to consider 'stakeholders' as too wide a category to be built around one single prototype. This sensitizes us further to the difficulty faced by individuals in gathering so many different interactors inside a single set. Prototypicality fosters the use of inquiries based on changing fuzzy sets, which induces the acknowledgement of possible evolutions, not to say instability, in the categorization of stakeholders. In other words, an *actant* that is considered today as a stakeholder may be forgotten tomorrow until the next interaction. If learning is a major factor for organizational development, we cannot neglect *forgetting* as a structuring variable in the definition of stakeholders (Carmona and Grönlund, 1998).

The dynamic approach of categorization is underpinned by the observation of mnemonic limitations. Though there is strong evidence for the stability of categories, recent research holds that there is not enough room in our brains for constantly context-adapting categories. As Clark (1993) contends, 'it seems implausible to suppose that the gradations are built into some pre-existing conceptual unit or prototype that has been simply extracted whole out of long-term memory' (1993, p. 93). Prototypes, even if they provide interesting models, seem hard to find in an empirical study, or they will be extremely volatile constructs. Thus, stakeholders should be taken as representations of transient constructs, and not as a stable lists like the ones proposed by traditional stakeholder theories.

This short incursion into the field of cognitive science allows us to set the main properties of what a stakeholder as a 'cognitive interactor' could be. First a social actant can be considered as a stakeholder when it starts interacting with the organization or its members. The stakeholder then enters the organizational cognitive space or what Bouquet *et al.*, (2000) call 'attention management'. This situation lasts as long as the interaction does, or as long as the stakeholder remains within the organization's frame (that is, they remain relevant and have not been forgotten). A stakeholder will be categorized as a representative of the organization's own category for an undetermined period of time. Thus, 'interdependency contracts', for many cases, have no pre-specified duration nor content. Such an assumption could appear confusing if it did not offer development, and particularly learning opportunities, to organizations.

The multiplicity, but also the 'evolutionary skills' of stakeholders must also be considered as an opportunity. When considering programme evaluation, Guba and Lincoln (1989) suggest crossing

different stakeholders' points of view to launch the negotiation process: 'The major purpose of this process is not to justify one's own construction or to attack the weaknesses of the constructions offered by the others, but to form a connection between them that allows their mutual exploration by all parties' (1989, p. 149). The one-sided stakeholder view ignores this type of interaction, and neglects the opportunities offered. One such opportunity emerges only if attention shifts from instrumental and competitive views to cooperative patterns. Guba and Lincoln (1989) particularly insist on the necessity of regrouping 'interactors' that are ready to enter a dialectic process; that is to say actors that accept the sharing of influence and power, instead of maintaining conflicting or power relations.

The key to interdependency contracts is the recognition of the value of different perspectives that can inform organizational practices. Different perspectives as a basis for effective actions, reflects a commitment to learning and a culture geared not only to accountability, but also responsibility in conducting business. Therefore, if the term 'contract' is still to be used, we have to consider it essentially in 'metaphorical' terms, just as Rousseau did in his *Social Contract* (1762). The conceptualization of contracts in the context of relationships could be based on the 'interdependency contract' pattern; this conceptual model is neither psychological nor legal, but based on mutual accountability and responsibility. This view of contracts is not driven by self-interest, but by mutual and collective interests.

Conclusions

This chapter has sought to provide a new conceptualization of stakeholder relations beyond power and economics to more fully embrace the power of knowing. In doing so, it has sought to problematize current conceptualizations of contracts and the role of agents in contractual relations. One of the main criticisms of current conceptualizations of stakeholder relations based on contracts is the limited interaction that they permit among stakeholders. By casting power and political agendas driven by self-interests as the basis of conceptualizing stakeholder relations, we fail to fully appreciate the possibilities for knowledge and learning to play an equally important part in shaping stakeholder relations. By adopting a focus on interaction rather than exchange, we highlight the wider space for interconnectivity among stakeholders. This interconnectivity highlights only more clearly the interdependency between stakeholders, based on the many complementarities that exist

among them. Complementarities can generate greater willingness for care to be the driving force underpinning interactions between stakeholders. This care can also be founded on the mutual interests identified, which can be constructively explored by opening up greater possibilities for learning in partnership with and from each other.

Learning partnerships and interdependency contracts are not a panacea. They are a means of exploring the complexity of social relationships and the challenges for these social relationships to be sustained. One such challenge is the integration of the multiple and often competing forces which underpin the connection between actors and the structures they create. For example, in stakeholder relations the multiple and competing interests reflect not only the importance of emotional and moral commitment; equally important is the role of reflexive critique (Antonacopoulou, 2004) in embracing learning as a fundamental relation to interacting with others for mutual benefit. Central to reflexive critique is reflexive practice, which builds on the dynamic interaction between reflection and action with an intention to learn and to change. The dynamic relationship between learning and changing allows a closer look at the political dynamics of reflexivity and highlights *critique* as a critical dimension in organizing reflection.

By looking more closely at the politically situated and constructed nature of learning in the context of changing relations we come closer to the organizing processes which underpin the way stakeholders engage with the tensions they seek to manage. In the context of interdependency contracts, reflexive critique encourages a mode of knowing that exposes the situated nature of learning. These issues open up a new phase in stakeholder debate and have a number of theoretical, empirical and practical implications.

On a practical level, the idea of learning partnerships embedded in interdependency contracts opens up new opportunities to think critically about who is perceived to be a stakeholder and why. Such inquiry is as much about enhancing the opportunities to connect with new partners, as it is also about reconnecting with existing stakeholders, in both cases driven by the desire to learn from and with others. Whilst this view provides a more positive reconceptualization of stakeholder relations beyond power-based relationships, it does not and should not be considered as an end in itself. We are not suggesting here that all learning is good, as clearly this is not the case (Contu *et al.*, 2003). However, the role and nature of learning in the context of stakeholder interactions emerges as a field of further research and provides important space for theoretical development.

The current literature on organizational learning, inter-organizational learning and learning in relation to collaboration while relevant and insightful to stakeholder theory does not fully account for the unique quality of the learning phenomenon in the context of stakeholder interactions. The notion of mutual interest or trust is easier said than done. Socio-political tensions still remain a fundamental and currently unexplored set of issues that call for further theoretical and empirical research. Theoretically, there is a clear implication about the insufficiency of current learning theory to fully account for the nature of learning and knowing in and across communities of practice beyond inter-organizational collaborations and in relation to interdependency contracts in stakeholder relations. Therefore, there is a need for the development of future learning theory in relation to interdependency-based relationships.

Finally and perhaps most fundamentally, if we are to truly develop stakeholder theory and knowledge-based relationships between stakeholders we also need to invest in empirical research that can more fully test the propositions currently underpinning our theoretical positions. In testing and further developing stakeholder theory based on the dimensions proposed so far, perhaps the ultimate challenge is not the empirical research as such, but the need for methodologies which can help us more fully unpack the complex phenomena of stakeholder relations, the ways these are formed and developed over time.

Beyond the fundamental concerns of stakeholder categorization outside theoretically predefined catalogues, issues of space and time would be particularly critical not only in relation to stakeholder interactions. These issues are also critical in relation to learning and social complexity (see Antonacopoulou and Chiva, 2005; Antonacopoulou, 2002). Beyond longitudinal, inductive research designs we need participative action-research approaches to enable us to see more clearly the stakeholder as *interactant*, the importance of knowing in stakeholder relations, and the importance of interdependency in the ways social relationships emerge in 'socio-contractual' terms. Such inquiry not only calls for multi-methodological designs that would need to be rich to capture the social complexity, they would also need to draw from a much wider set of disciplinary perspectives if the phenomena are to be more fully understood. By opening the debate and raising these implications, our intention is to find ways of reconnecting not only stakeholder relations, but also strengthen the relationship between the practice of stakeholder relations and the underlying theories supporting the way it evolves in time and space. We would argue that this would

make for a more dynamic conceptualization of the social complexity of stakeholder relationships.

Bibliography

- Antonacopoulou, E.P. and Méric, J. (2005) 'A Critique of Stake-holder Theory: Management Science or a Sophisticated Ideology of Control?', *Corporate Governance*, vol. 5, no. 2 (Bradford: Emerald Group), pp. 22–33.
- Antonacopoulou, E.P. and Chiva, R. (2005) 'Social Complex Evolving Systems: Implications for Organizational Learning', under review.
- Antonacopoulou, E.P. (2002) 'Learning as Space: Implications for Organisational Learning', Manchester Business School Research Paper series, no. 443.
- Antonacopoulou, E.P. and Papamichail, K.N. (2004) 'Learning-Supported Decision-Making: ICTs as Feedback Systems', in G. Doukidis, N. Mylonopoulos and M. Pouloudi, (eds), *Information Society or Information Economy? A Combined Perspective on the Digital Era* (Manchester: Idea Group Publishing), pp. 271–88.
- Antonacopoulou, E.P. (2004) 'The Dynamics of Reflexive Practice: The Relationship between Learning and Changing', in M. Reynolds and R. Vince (eds), *Organizing Reflection* (London: Ashgate), pp. 47–64.
- Beamish, P. and Berdrow, I. (2003) 'Learning from IJVs: The Unintended Outcome', *Long Range Planning*, vol. 36, no. 3, pp. 285–303.
- Benson-Rea, M. and Wilson, H. (2003) 'Networks, Learning and the Lifecycle', *European Management Journal*, vol. 21, no. 5, pp. 588–97.
- Berends, H., Boersma, K. and Weggeman, M. (2003) 'The Structuration of Organizational Learning', *Human Relations*, vol. 56, no. 9, pp. 1035–56.
- Berger, P.L. and Luckmann T. (1966) *The Social Construction of Reality* (New York: Doubleday).
- Bergquist, W., Betwee, J. and Meuel, D. (1995) *Building Strategic Relationships* (San Francisco: Jossey Bass).
- Boatright, J.R. (2002) 'Contractors as Stakeholders: Reconciling Stakeholder Theory with the Nexus-of-contracts Firm', *Journal of Banking and Finance*, vol. 26, pp. 1837–52.
- Bouquet, C., Morrison, A. and Beck, A. (2000) 'Global Strategy, Attention Management and Company Performance', *Academy of International Business Annual Meeting* (Phoenix).
- Bradenburger, A.M. and Nalebuff, B.J. (1996) *Co-Opetition: A Revolution Mindset That Combines Competition and Cooperation : The Game Theory Strategy That's Changing the Game of Business* (New York: Doubleday).
- Brown, J. and Duguid, P. (2001) 'Knowledge and Organization: A Social Practice Perspective', *Organization Science*, vol. 12, no. 2, pp. 198–213.
- Burton, B.K. and Dunn, C.P. (1996) 'Feminist Ethics as Moral Grounding for Stakeholder Theory', *Business Ethics Quarterly*, vol. 6, no. 2, pp. 133–47.
- Carmona, S. and Grönlund, A. (1998) 'Learning From Forgetting: An Experiential Study of Two European Car Manufacturers', *Management Learning*, vol. 29, no. 1, pp. 21–38.
- Clark, A. (1993) *Associative Engines: Connectionism, Concepts, and Representational Change* (Boston: MIT Press).
- Coase, R.H. (1937) *The Nature of the Firm* (Paris: Economica).
- Drucker, P.F. (1954) *The Practice of Management* (Harper).

- Freeman, R.E. and Reed, D. (1983) 'Stockholders and Stakeholders: A New Perspective on Corporate Governance', in C. Huizinga (ed), *Corporate Governance: A Definitive Exploration of the Issues* (Los Angeles: University Press).
- Freeman, E.R. and Evan, W. (1990) 'Corporate Governance: A Stakeholder Interpretation', *The Journal of Behavioral Economics*, vol. 19, no. 4, pp. 337–59.
- Freeman, E.R. (1984) *Strategic Management: A Stakeholder Approach* (Boston: Pitman).
- Granovetter, M. (1973) 'The Strength of Weak Ties', *American Journal of Sociology*, vol. 78, no. 6, pp. 1360–80.
- Granovetter, M. (1985) 'Economic Action and Social Structure: the Problem of Embeddedness', *American Journal of Sociology*, vol. 91, no. 3, pp. 481–510.
- Greenley, G.E. and Foxall, G.R. (1998) 'External Moderation of Associations among Stakeholder Orientations and Company Performance', *International Journal of Research in Marketing*, vol. 15, pp. 51–69.
- Guba, E.G. and Lincoln, Y.S. (1989) *Fourth Generation Evaluation* (Newbury Park, Sage Publications).
- Hardy, C., Phillips, N. and Lawrence, T.B. (2003) 'Resources, Knowledge and Influence: The Organizational Effects of Interorganizational Collaboration', *Journal of Management Studies*, vol. 40, no. 2, pp. 321–47.
- Hibbert, P. and Huxham, C. (2004) 'Collaborating to Know? Inter-organizational Engagement and Learning', *AIM Working Paper Series*. www.aimresearch.org.
- Hill, C.W.L. and Jones, T.H. (1992) 'Stakeholder – Agency Theory', *Journal of Management Studies*, vol. 29, no. 2, pp. 131–53.
- Inkpen, A. (2002) 'Learning, Knowledge Management and Strategic Alliances: So Many Studies, So Many Unanswered Questions', in P. Lorange and F. Contractor (eds), *Cooperative Strategies and Alliances* (London: Pergamon), pp. 267–89.
- Inkpen, A.C. and Tsang, E.W.K. (2005) 'Social Capital, Networks, and Knowledge Transfer', *Academy of Management Review*, vol. 30, no. 1, pp. 146–65.
- Jensen, M.C. and Meckling, W.H. (1976) 'Theory of the Firm: Managerial Behavior, Agency Costs, and Ownership Structure', *Journal of Financial Economics*, vol. 3, pp. 297–326.
- Katz, D. and Kahn, R.L. (1966) *The Social Psychology of Organizations* (New York: John Wiley).
- Koll, O. (2003) 'Stakeholder Value Creation and Firm Success', *Advances in Business Marketing and Purchasing*, vol. 12, pp. 141–262.
- Lakoff, G. (1987) *Women, Fire, and Dangerous Things: What Categories Reveal about the Mind* (Chicago: University of Chicago Press).
- Lave, J. and Wenger, E. (1991) *Situated Learning: Legitimate Peripheral Participation* (Cambridge: Cambridge University Press).
- Leanna, C.R. and Rousseau, D.M. (2000) (eds), *Relational Wealth* (Oxford).
- Lin, N., Cook, K. and Burt, R. (2001) *Social Capital: Theory and Research* (Aldine De Gruyter).
- Lorenz, K. (1981) *The Foundations of Ethology* (Springer-Verlag).
- Lozano, J.M. (2005) 'Towards the Relational Corporation: from Managing Stakeholder Relationships to Building Stakeholder Relationships', *Corporate Governance*, vol. 5, no. 2 (Emerald Group), pp. 60–77.
- Mead, G.H. (1934) *Mind, Self and Society* (Chicago: University of Chicago Press).
- Méric, J. (2003) 'L'émergence d'un discours de l'innovation managériale – le cas du Balanced Scorecard', *Comptabilité, Contrôle, Audit*, special issue (May), pp. 129–45.

- Mitchell, R.K., Agle, B.R. and Wood, D.J. (1997) 'Towards a Theory of Stakeholder Identification: Defining the Principle of Who and What Really Counts', *Academy of Management Review*, vol. 22, no. 4, pp. 853–86.
- Mothe, C. and Quélin, B. (2000) 'Creating Competencies Through Collaboration: The Case of Eureka R&D Consortia', *European Management Journal*, vol. 18, no. 6, pp. 590–604.
- Nahapiet, J. and Ghoshal, S. (1998) 'Social Capital, Intellectual Capital, and the Organization Organisational Advantage', *Academy of Management Review*, vol. 23, no. 2, pp. 242–66.
- Neely, A. and Adams, C. (2002) 'Perspectives on Performance: The Performance Prism', *working paper*, <http://www.som.cranfield.ac.uk/som/cbp/downloads/prismarticle.pdf>.
- Neely, A., Adams, C. and Kennerley, M. (2002) *The Performance Prism – The Scorecard for Measuring and Managing Business Success* (London: Financial Times Prentice Hall).
- Nooteboom, B. (2000) 'Learning by Interaction: Absorptive Capacity, Cognitive Distance and Governance', *Journal of Management and Governance*, vol. 4, pp. 69–92.
- Ouchi, W.G. (1980) 'Markets, Bureaucracies, and Clans', *Administrative Science Quarterly*, vol. 25 (March), pp. 129–41.
- Post, J.E. Preston, L.E. and Sachs, S. (2002) 'Managing the Extended Enterprise: The New Stakeholder View', *California Management Review*, vol. 45, no. 1, pp. 6–28.
- Rosch, E. (1978) 'Principles of Categorization' in E. Rosch and B. Lloyd (eds), *Cognition and Categorization* (Hillsdale), pp. 27–48.
- Rousseau, J.-J. (1968) *Le Contrat Social*, Translated by M. Cranston (London: Penguin Books).
- Simon, H.A. (1957) *Models of Man*, (New York: John Wiley and Sons).
- Sutton, S.G. and Arnold, V. (1998) 'Deconstructing Economic Stakeholder Theories or Is Might really Right?', *Critical Perspectives on Accounting*, vol. 9, pp. 251–60.
- Tsoukas, H. and Vladimirou, E. (2002) 'What is Organizational Knowledge?', *Journal of Management Studies*, vol. 38, no. 7, pp. 973–93.
- Wasserman, S. and Faust, K. (1994) *Social Network Analysis: Methods and Applications* (New York: Cambridge University Press).
- Wellman, B. (1999) *Networks in the Global Village* (Boulder, CO: Westview Press).
- Wenger, E. (2000) 'Communities of Practice and Social Learning Systems', *Organization*, vol. 7, no. 2, pp. 225–46.
- Windsor, D. (1998) 'The Definition of Stakeholder Status', Paper presented at the Annual Conference of the *International Association for Business and Society*, (IABS), Kona-Kailua, Hawaii.
- Zollo, M., Reuer, J.J. and Singh, H. (2002) 'Interorganizational Routines and Performance in Strategic Alliances', *Organization Science*, vol. 13, no. 6, pp. 701–13.

9

Corporate Social Responsibility and Stakeholders: Measuring or Discussing?

Dominique Bessire

‘Of all things the measure is man,
of the things that are, how they are,
and of things that are not, how they are not.’

Protagoras

In the field of corporate social responsibility (CSR), practices and discourses, which legitimate them, put the emphasis on measurement. The tools which are used in this perspective are usually presented as a means to complement the more traditional financial accounting measures and diagnoses, and they indeed refer to the same methodologies and vocabulary: environmental accounting, green accounting, social rating (Christophe, 2000; Quairel, 2004, p. 8). In the construction and the deployment of this instrumentation, all efforts seem to focus on a depersonalisation of the measurement process, which is considered legitimate since it guaranteed objectivity.

But measurement constitutes only one step in the evaluation process, and, moreover, it is always underpinned by a subjectivity, which should be recognized and made explicit to provide an area for an ethics of responsibility.

Subjectivity, however, if it remains turned in on itself, does not allow space for the integration of the Other – ‘stakeholders’ in the rhetoric of CSR. To give them an effective role, inter-subjectivity – which is intrinsic to any human reality – should be fully recognized. The principles of discourse ethics and of deliberative democracy and the potentialities of the Internet may be used in this perspective to propose new approaches to accountability.

The objectivity of accounting measures: a screen for conflicting interests

Measurement in our modern societies enjoys a privileged status in relation to its assumed objectivity, and in the field of CSR accounting is the main instrument to achieve this aim. Within this body, social and financial accounting are enmeshed in a complex and contradictory relation: social accounting is usually presented as a complement to, or an extension of, financial accounting, but economic profits, implicitly or not, remain the ultimate milestone for the appreciation of the organizational performance. Moreover, social accounting presents the same limits as financial accounting, without, however, its reliability.

The ideology of measurement

Measurement is only one step in the evaluation process, as it will be shown in the second main section of this chapter. However, it remains in our contemporary society an object of veneration, an attitude which can be seen as an inheritance of the Enlightenment philosophy (Foucault, 1998): it was in this period that the metric¹ system was introduced and that the instruments which allowed a more precise measure of time were diffused on a larger scale. In our society, fascinated by numbers and quantification (Viveret, 2003, p. 5), measurement is assumed to guarantee scientificity and to contribute to progress. Two quotations by scientists, influential not only in their technical field but also in the field of the philosophy of sciences, illustrate this state of mind:

In experimental sciences, measuring phenomena is an essential point, since it is through the quantitative determination of an effect in relation to a cause that the laws which rule these phenomenons can be discovered.

(Claude Bernard, quoted in *Le Robert* dictionary (1980) under the heading *mesure* (measure), our translation)

[Physics] was able to go beyond the qualitative status to reach an exact quantitative one, only through a constant use of measurement, that is to say, through a continual seeking to characterise the aspects of reality through numbers.

(Louis de Broglie, in *ibid.*).

Accounting, from its origins, has been based on measurement: in the fifteenth century, Luca Pacioli laid down the principles of double-entry

bookkeeping in a book devoted to mathematics, and the formula used by Lassègue, a prominent scholar of the twentieth century in the field of accounting, 'accounting as an algebra for laws', has been taught to generations of French students.

Accounting, therefore, traditionally benefits from the aura attached to numbers and to quantification. However, for a long time this perspective has gone along with the acceptance, to a certain extent, of interpretation and of subjectivity. With the process of international accounting standardization, mainly impelled by the IASB (International Accounting Standards Board; formerly IASC, International Accounting Standards Committee), things are rapidly changing.

Exclusion of weaker stakeholders as constitutive of financial accounting

Social accounting is usually conceived as a complement to, or an extension of, financial accounting. Standards-setters do their best to persuade us of the objectivity and of the neutrality of financial accounting (Colasse, 2004, p. 35), but their discourse cannot conceal the intrinsically unequal treatment of the different stakeholders.²

No space for a differentiated consideration

The IASB framework and standards put the emphasis on neutrality (which is necessary to ensure a true and fair view, IAS1) and try to reduce the scope allowed for interpretation and judgement which are presented as dangerous. The word 'standards' is in itself a whole programme.

Accounting in this perspective however resembles Procustes' bed³ on which companies and their stakeholders, however different they are, have to lie. IAS1, for instance, explicitly expresses that 'this Standard applies equally to the financial statements of an individual enterprise and to consolidated financial statement for a group of enterprises'. The strategy adopted by IASB at the end of the 1980s, moreover, puts this emphasis on comparability⁴ and focuses on the reduction of the number of options: each standard has to state one benchmark⁵ treatment and to allow only one alternative treatment (Colasse, 2002, p. 91).

However, as will be seen later in this chapter, exerting responsibility requires subjectivity, not neutrality. Equally, taking into account stakeholders implies applying to them a differentiated treatment.

Unequal treatment of the different categories of stakeholders

In the rhetoric employed by the IASB, the claim for neutrality is supported by the use of carefully impersonal terminology: standards talk about

anonymous and abstract classes of 'users'. People who are in charge of the accounting process, for example, are named under the heading 'the management'. In most sentences of the framework, the subject is not a person or a group of persons but an object: 'the framework', the objective of financial statements, a very bureaucratic language indeed. However, like any accounting model, it gives a representation of reality which is the result of a *rapport de forces* between different categories of stakeholders who have their own specific interests (Heem, 2003b, p. 7).

Beloved investors. English and American accounting principles, which have been forged in countries where stockmarkets play a major role in the funding of companies, tend to favour investors' needs for information. The IASB framework, although it is assumed to be international, follows the same pattern. This position is expressed in a sentence which deserves some attention: 'the Framework also concludes that because investors are providers of risk capital to the enterprise, financial statements that meet their needs will also meet most of general financial needs of other users'. Readers are in this way gently but firmly invited to accept this assertion as something obvious, through an implicit and vague reference to economic theory and more precisely to neo-classical theory, putting aside the fact that this assumption is valid only in the case of perfect markets. Moreover, the most advanced microeconomic theories (Guerrien, 1996) have already demonstrated long ago that this assertion takes an initial distribution of wealth as a data, however unequal it may be. The sentence, consequently, may be understood as a pseudo-scientific window-dressing to put forward investors' interests and to discourage any contest (see Bourguignon, forthcoming, for a careful analysis of the use of rhetoric in this field).

If there were still some ambiguity left, things become even clearer in IAS I: although it states again that it is intended to provide 'information . . . that is useful to a wide range of users in making decisions', it also notes, this time without any introductory remarks, that 'general purpose financial statements are those intended to meet the needs of *users who are not in a position to demand reports tailored to meet their specific information needs*' (our emphasis).

As a consequence, users other than shareholders seem to be quoted in the framework and in IAS1 more as an alibi rather than an actual matter of preoccupation. The conclusion is obvious: financial accounting as is it conceived by the IAS/IFRS does not grant any space for an expression of the variety of stakeholders who may be affected by the enterprise's decisions, and it does not allow the expression by any companies of any responsibility.

Standards-setters experts in strategy. The priority given to investors cannot be considered as the result either of democratic discussion or of a public, legitimate and uncontested authority. It is nothing else than the choice made by a private organization which has given itself the means to promote its own conception of financial accounting. Most of its human, financial and, still maybe more important, doctrinal resources are provided by the major auditing firms (Colasse, 2004, p. 35), the very ones which have been involved in the most outrageous accounting scandals of the past decades. We come to a situation where delinquents are granted the right to elaborate norms (with which all enterprises have to comply) and to control their appropriate application. Here also the parallel with Procustes is flagrant: as everyone knows Procustes was a brigand. Irresponsibility rather than responsibility, whatever it may be, financial, environmental or social, is therefore encouraged.

Even if we accepted the unlikely assumption of the IASB members' independence, we would have to recognize that they do not behave as neutral actors. On the contrary, they appear to have deployed in recent decades a sophisticated and adaptive strategy (Colasse, 2002, pp. 91–2). In the first period, as standards-setters without coercive power, they adopted a 'low profile'. The standards which were issued till the end of the 1980s (about 30) allowed enough options to be used in any country without causing difficulties: there was always a standard consistent with the local standard. In the following period, its survival being threatened by the process of financial globalization, they deployed a more offensive strategy, looking for institutional support: first from the IOSCO (International Organization of Securities Commission) which is notoriously dominated by the American SEC (Securities and Exchange Commission), and then from the European Commission: in June 2000, the EC indeed made the decision to subcontract accounting normalization to the IASB and thereby abandoned its political prerogatives in a field which is, however, crucial for economic competition.

Other stakeholders as impotent witnesses. Moreover, only those stakeholders who have sufficient financial resources and/or the required technical expertise may hope to participate in the due process and have their perspective taken into account by the IASB. Other stakeholders are nothing but passive witnesses of the negotiation between the Board and more powerful stakeholders: banks and insurance companies, for instance, were the only organizations which were able to prevent the application of IAS 32 and 39, and only after a desperate battle which still cannot be considered as over. (IAS 32 deals with the disclosure and the presentation

of financial instruments, IAS 39 with their recognition and their measurement. According to these standards, financial instruments should be measured at fair value, ie in most cases at quoted market prices and, if there is no active market, at prices determined by internal models.)

We are therefore confronted with a situation where politicians abandon the mission which has been entrusted to them in order to commit experts, who are themselves under the constant pressure exerted by auditing firms and investors (Bissara, 2003). This situation has been well-analysed by Habermas as a process of inner colonization of the life world by technical systems. It clearly does not allow space either for weaker stakeholders nor for responsibility.

Social accounting as a means for engendering responsibility or irresponsibility?

Initiatives intended to implement accounting measures in the field of social responsibility have multiplied over recent decades (see for instance Capron, 2000, p. 411 for a matrix which tries to classify the various attempts in this area). For most observers the results are rather deceptive. Rationality, which is so often presented as a justification, would require that, in confrontation with what appears as a waste of energy and resources, efforts should be redeployed in other more fruitful directions. As this is not the case, we have to question the reason of this extreme focalization on measurement.

Swarming and deceptive initiatives

Social accounting frameworks tend to derive from financial accounting frameworks (for a detailed analysis of this analogy, see Quairel, 2004): therefore they suffer the same limitations and more especially their inherent subjectivity, but 'without the reliability and quality of the model of the financial accounting model' (Quairel, 2004, p. 9, our translation). The GRI (Global Reporting Initiative) is usually considered as the most complete attempt to standardize social accounting, and its own weaknesses are therefore present in most other frameworks. The methodical analysis of GRI made by Quairel (2004) may therefore apply to them. First, the two meta-principles which underpin GRI (transparency and inclusiveness) lead to ambiguities and contradictions in the way they are deployed: 'although the elaboration process is presented as consensual, it conceals the reality of diversity in power and the nature of the relations between firms and their stakeholders' (*ibid.*, p. 19); moreover, the will to take into account all the stakeholders causes illegibility, which goes against the transparency principle. In addition, 'information systems which should be able to

provide with the data required by the about two hundreds items which are listed in the minimum of a GRI report have still to be invented' (*ibid.*, p. 21). Managers can always argue about the cost or the lack of reliability in order to exonerate themselves from the non-publication of one or another piece of information. Quairel's conclusion (*ibid.*, p. 23) at the end of a meticulous analysis cannot be questioned: 'there is still a long way to reach the same level of comparability, exactness and verification equivalent with the level which can be found in the financial reporting'.

A door opened to evasion and reinsurance manoeuvres

To focus efforts on measurement facilitates diversion of attention from the actions which should be undertaken; it prevents an analysis of dysfunctions and provides an excuse for not questioning the purposes of measurement. In a period when financial scandals (Enron, Worldcom and others), environmental disasters (Erika for example) and, moreover, human catastrophes (Bhopal for instance) are multiplying, it is indeed more comfortable to concentrate on the difficulties of measurement than to confront the fundamental problems. Enron, before it collapsed, enjoyed an excellent social rating.

Moreover, the concept of the three Ps (planet, profit, people), which is often put forward in the field of CSR gives in advance a justification to derogate from the principles of an actual social responsibility if, for instance, economic conditions prove to be unfavourable (for example a return on equity which would be lower than that expected by investors).

Finally, social accounting is still more amenable than financial accounting to manipulation and to evasion (Lespès, 2003; Quairel, 2004). The definition of social accounting and rating frameworks is part of a movement of self-regulation which itself is part of the present process of privatization of laws. Among the countless frameworks which have been elaborated in recent decades, the enterprise selects the one which is the most suitable for it and adapts it more or less broadly to its specific needs. The enterprise takes on a moral commitment, but without being under the threat of legal sanctions. This soft law is obviously in preference to the state legality (Lespès, 2003). Even when social accounting is prescribed by law, legal texts remain blurred and favour a whole range of means of evasion. For instance, article 116 of the French law known as NRE (Nouvelle régulation économique, that is New Economic Regulation, 2001), which requires companies to publish social information, limits its field of application to the listed legal entities, although the main part of the productive and potentially detrimental activity takes place in subsidiaries which usually are not listed.

Initial studies conducted on the application of article 116 show that, confronted with this device, firms have behaved in various ways: some have taken into account a broad area (but most often without defining it very precisely); others have stuck to the legal text. Moreover, among the 900 firms which should have applied this device, more than one-half have published nothing without auditors making any remark on the subject (Alpha Etudes, 2003; KPMG, 2003; MEDEF – Pricewaterhouse-Coopers, 2003; Novethic, 2003; Terra Nova, 2002 and 2003; Utopies, 2003).

Focalization on measurement, the use made of the resulting numbers, discourses on neutrality and on objectivity of these measures, are indeed part of legitimization and reinsurance strategies (Quairel, 2004). However, they fulfil another and more pernicious function: they prevent confrontation with the thorny question of subjectivity and relevance; fundamentally, they occult the necessary political dimension of any decision or action. Accounting measures, far from serving CSR, become a means for irresponsibility.

Subjectivity as a founding principle for any evaluation: the coming onstage of the self as a condition for responsibility

If we want accounting and responsibility to march hand in hand, we must fully recognize the subjectivity inherent in any evaluation. Measurement makes sense only if it is an integral part of an evaluation process, which, in its turn, necessarily includes a subjective dimension. To demonstrate this imperative, we have to make a detour through epistemological reflection. A number of analyses, conducted by accounting scholars, give empirical evidence of the link between accounting measure and subjectivity.

Measurement, one of the dimensions in the evaluation process

Any reality deploys itself into a tri-dimensional structure: for the usual subject–object dialectic, we substitute the subject–object–project trialectic (Nifle, 1986). From this starting point, we are able to infer a specific understanding of evaluation, which grants legitimacy to subjectivity.

The tri-dimensional nature of reality

This idea has already been developed by a number of philosophers: Bergson, for example, wrote in 1907 that ‘as a matter of fact, reality is exactly ordered to meet our thoughts. Order consequently is an art of accordance between the subject and the object’ (1998, p. 221, our translation). Similar is the assertion made by Bachelard in 1934 that ‘the

reflection onto the *object* of the *subject* always expresses itself through a *project*' (1995, p. 15, our translation and our emphasis). One of the specific contributions made by Nifle (1996a) lies in the visualization he gives to this perspective: he incorporates into a geometric diagram each of the dimensions (subject, object and project) which are inherent to human experience (Figure 9.1).

The *subjective* dimension is represented by a vertical vector. Any human reality is the reality experienced by a subject and therefore intentional. The intention can take different expressions – desire, motivation, inclination, will, aspiration – and through this dimension individuals are considered as beings of sense.

The *objective* dimension is associated with the horizontal, leftwards-oriented vector. The object is what can be distinguished from a context and from ourselves. This dimension consequently expresses our experience of otherness. Both dimensions cannot be dissociated: neither is it possible to have an objectifying process without an objectifying subject, an observation without an observer, nor can a subject exist without an object: subjectivity can express itself only through the relation to an object, whatever it is. Berkeley (quoted by Morgan, 1988, p. 482) already drew our attention in the eighteenth century to this point: 'objectivity is as part of the observer as of the observed object'.

The *projective* (or *rational*) dimension of reality appears as the vectorial product of the subject and object vectors: things are ordered in time and in space according to the subject's logic. Reason therefore is neither causal, nor does come first; it is subsequent and comes second. The concept of bounded rationality, developed by Simon (1959), is nowadays widely accepted, but it is usually presented in relation with our

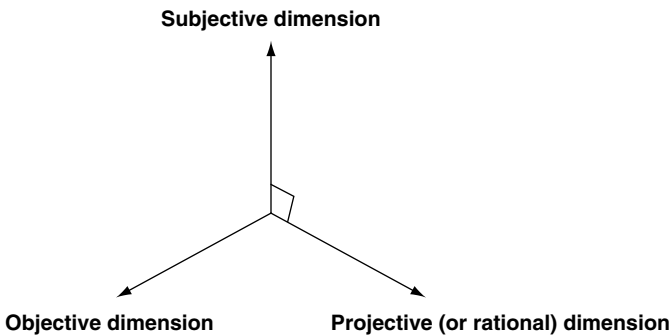


Figure 9.1 The three dimensions of reality

limited capacities. Here, we have a different perspective: reason depends on intentionality in a way which is in some way similar to the approach developed by Crozier and Friedberg (1981): conflicting rationalities express dissent about the sense which has to be given to a definite situation.

Implications for evaluating

From this conceptualization, we can infer principles, criteria and instruments, which have to be used in any evaluation.

Principles. Evaluation is a judgement, which refers to a scale of values. This hierarchy of values is always, implicitly or explicitly, underpinned by the reference to a greater good and consequently by a specific conception of what is good for an individual or a community (*grandeur* according to Boltanski and Thévenot, 1987). Any evaluation implies a reference to the sense and the criteria of ‘good’.

Criteria. To each of the dimensions, we have to associate a specific criterion: relevance to the subjective dimension, coherence to the rational one and performance (in the narrow sense⁶) to the objective dimension (Figure 9.2).

Relevance brings into play the responsibility of the actors: it forbids an evaluation, which could be presented as purely ‘rational’ or ‘objective’. Relevance, whatever it applies to, is understood with reference to an intention, to political choices, viewed as fundamental choices underpinned by a scale of values.

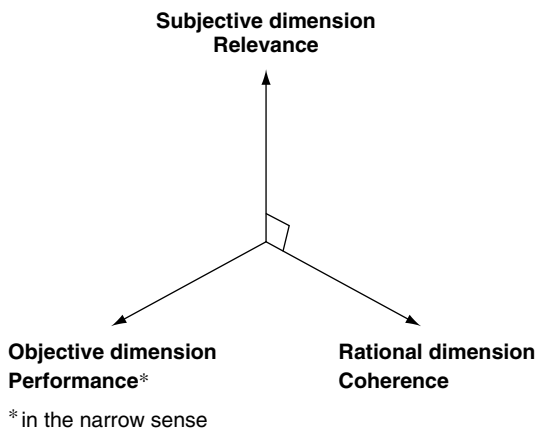


Figure 9.2 Evaluation criteria

In order to make a judgement on *coherence*, it is necessary to check that all dimensions of reality are taken into account and kept under control, that they are correctly articulated together, that they well-match with their context and, finally, that they are in accordance with the original intention.

Performance (in the narrow sense) allows us to take into *account* (in the different senses of the term) the objective dimension of reality. It expresses the progress towards an objective (Capron and Quairel, 1998, p. 578) or the degree of achievement of a plan of action (Mascré, 1994, p. 60).

The three criteria cannot be dissociated and must be taken into account according to a fixed hierarchy. Relevance comes first. Coherence depends on relevance since indeed it only makes sense with reference to an intention. Performance, finally, is subordinated to the two other criteria: it cannot be conceived as an absolute or as an isolated criterion; it must always be considered with regard to a definite, explicit or implicit, intention. A number of scholars agree on this perspective, see for instance Lebas (1995, p. 68) who notes that 'performance is defined by the users of the information bearing in mind the organizational context which, in its turn, is characterised by a specific span of time and space' (our free translation) or Le Maitre (1998, p. 820), who states that 'there is no such a thing as a neutral evaluation: it always favours the point of view of some actors' (our translation). However, though performance is the last criterion to be taken into consideration, it is as important as the two others: objectifying, however difficult it may be, is necessary; without it there is a great risk of being caught in the trap of subjectivism which is as limiting in its way as objectivism.

Instrumentation. Professionalism in evaluation requires an appropriate instrumentation for each dimension of reality and for each criterion. For the objective dimension, we have a large set of tools thanks to a science of measurement which is continuously being improved and enriched. In order to fully take into account the rational dimension, we have a great variety of more and more sophisticated models. But for the subjective dimension, which necessitates a qualitative approach more than a quantitative one, there is a great paucity of tools (Figure 9.3).

Indeed, since the subjective dimension is the most difficult to appreciate because of cultural as well as technical reasons, it is the first to be put aside in the process of evaluation: this constitutes a denial of any reference to an intention and to a system of values, and the negation of the evaluation principle itself (Nifle, 1996b, p. 2).

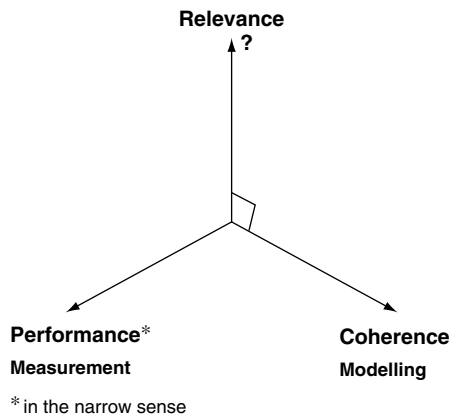


Figure 9.3 Evaluation tools

A first step for a better consideration of the subjective dimension is to ask, before any evaluation, two questions: *for whom and for what?* Patton (quoted by Mermet, 1997) thinks that the answer to these two questions is crucial for any evaluation.

Summary

This epistemological detour allows us to put measurement into its proper context in the process of evaluation; it is only one step in this complex process and not the most important. The rational and objective dimensions are usually kept under control. However, this is not the case with the subjective dimension: our modern societies give an intrinsic value to 'objectivity' and to 'rationality', but they tend to discard any subjective judgement, which is seen as irrational and arbitrary.

Objectifying, and therefore measuring (which refers to the objective dimension), as well as rationalization and consequently modelling (which come under the heading of the rational dimension) are necessary and legitimate. It is true that sometimes measuring and modelling can be difficult, but usually the problems are overestimated; in most cases, approximate measures and simple models can be sufficient insofar as they are appropriate; that is, to the extent that they are used with consideration of the intention which underpins the evaluation process. To know very precisely how many steps have been carried out is less important than to be sure that this has been done in the intended direction. Therefore, it is not from growing sophistication of measuring and modelling tools that we can expect material progress in

evaluation, but from advances, however modest, in the mastery of the subjective dimension: this is indeed a wide field to explore.⁷ At a more fundamental level, the question of the value system has to be raised: that it is no longer sufficient just to ensure that steps are made in the intended direction; it is necessary to question the relevance itself of this direction.

In a world dominated by ‘the evil of common knowledge’ (Morel, 1992, our translation), an epistemological detour may arouse scepticism, but a number of researches in the field of accounting tend to validate our approach of evaluation and of measurement.

Accounting and subjectivity

For Colasse (2002, p. 93), who is an academic member of the Conseil National de la Comptabilité, an official institution which plays an important role in the elaboration of French accounting norms, ‘an accounting set of references is fundamentally a representation, a model of the firm’. He adds:

accounting standards, as well as the process of accounting and the statements it produces, are never neutral. Beyond their technical function, they convey ways of thinking, communicating, behaving, managing human and tangible resources, and also, in a broader sense, values, ideology. (Our free translation)

Apart from ideology, subjectivity expresses itself through two concepts which are well-known to accountants: creative accounting (see for instance Stolowy, 2000, or www.campus.hec.fr/profs/stolowy/perso/articles/Encyclo.pdf) and ‘comptabilité d’intention’ (purposive accounting, Christophe, 2000).

Moreover, from a simple observation of practices, it is easy to discover the impact of subjectivity. Raffournier (2003) affirms that

we should not hope... that a reinforcement of regulation will be able to suppress the subjectivity of accounting numbers. Accounting for an asset indeed means giving to it a value. But this value depends on cash flows that this asset is assumed to generate in the future. These flows being intrinsically uncertain, any evaluation implicitly implies making assumptions on what the future will be... To the extent that nobody can affirm that he knows the future with certainty, any evaluation is, by nature, subjective. As detailed as the standards may be, they will always have to allow space, at some point for an individual evaluation. Firms indeed are perfectly aware of this phenomenon: it not necessary to

transgress rules or to use questionable accounting methods to influence results; playing on subjectivity is enough. (Our free translation)

Subjectivity and responsibility

Without recognition of subjectivity, there is no room for responsibility. The philosopher Henriot (2003) explains that 'in the syntax of ethics, responsibility and exercise of the subjective function are only one thing. To the development of an impersonal process, it not possible to apply a responsibility judgement'. It is of course possible to conceive 'a world without subjects, [a] system where individuals would be only blind executants, [but] in this world of insects, nor responsibility, nor conscience cannot be allowed any space' (our translation).

In the domain of critical finance, more and more scholars come to the same conclusions. According to Rainelli-Le Montagner (2002, p. 447), mainstream financial theory (which underpins international accounting standardization) excludes from its field the question of ethical norms:

in the classical paradigm... behaviours must not be appreciated with consideration of any moral; they are only evaluated in respect of their conformity to the prescriptions which are implied by the modelizations which result from the assumption of agents' rationality... Those who decide not to behave accordingly to its rules are sanctioned, not in the name of whatever ethical demand, but only because markets remunerate only those who respect its law.

Acceptance of inter-subjectivity: a means to call on the Other (stakeholders) to speak

Responsibility does not exist for itself; it exists only in relation to others. The concept of inter-subjectivity provides means to conduct a reflection on this relation from an ethical point of view. Discourse ethics give useful directions to grant space for the expression of this inter-subjectivity. Furthermore, the potential of new technologies of information and communication could be exploited to enable the implementation of deliberative democracy.

Responsibility, subjectivity and inter-subjectivity

In the discourses on CSR, the Other is named 'stakeholder'. One important issue in many studies, whosoever their authors may be — scholars, legislators or managers — is to decide which actors should be

considered as stakeholders and which not. A lot of efforts are devoted to the construction of sophisticated typologies, which are criticized as soon as they are published. Debates on the relevance of these typologies, however, occult the most important fact: they all participate in a logic of exclusion. Moreover, in the usual rhetoric on CSR, managers and scholars take an overhanging position and arrogate to themselves the right to decide what is good for those others they have carefully selected.

In other words, the so-called stakeholders are considered as infants who are unable to speak for themselves and to take in hand their destiny. They are denied any autonomy, any freedom. However, without the Other and his freedom, the question of responsibility cannot be stated as it has been argued by Ricoeur (2002):

the assertion of my freedom may have been called the departure point for ethics, but it does not constitute ethics in itself... I indeed enter ethics, when to the assertion of my own freedom, I add the will that the *Other's* [Ricoeur's emphasis] freedom shall be... If I stopped believing in my own freedom, if I thought that I am entirely submitted to determinism, I would also stop believing in the Other's freedom... I could not expect from the Other any help, and similarly, the Other could not expect from me any *responsible* action [our emphasis]. [If I take the opposite perspective], I shall now say that the Other calls upon me and that, through his request, he makes me capable of *responsibility* [our emphasis]. (Our free translation)

Simon (1993) accepts the thesis developed by Ricoeur, but insists on a specific dimension: he considers that responsibility cannot be reduced to the relation with others and that it necessarily includes an intervening Third. Responsibility requires institutions and laws, what Levinas calls justice (Weickmans, www.membres.lycos.fr/weickmans/Partie04_2.htm).

The reflections of these philosophers, Ricoeur, Levinas and Simon, open ways to escape from the limiting perspective often associated with the concepts of CSR and of stakeholders, and to transcend a subjectivity which otherwise would turn in on itself by introducing the concept of inter-subjectivity. Using this concept allows us to confront three difficulties which occur in the field of CSR: constructing the link between isolated individuals and the enterprise, between the enterprise and its stakeholders and finally between these stakeholders themselves. This chapter deals only with the second point: the relation between stakeholders and the enterprise:

Inter-subjectivity is made of two words: 'inter' which suggests a relation between people or things and 'subjectivity' or intuition of the

subject by himself of what is specific to him. Inter-subjectivity refers to a relation from one subject to another subject in what they have specific, their existence to the extent it would be affected by the sign 'with', according to the relevant expression used by Gabriel Marcel, in the simple perception that they have of themselves. (Joseph, 2004, our free translation)

In the field of philosophy, Husserl (2001) appears to be one of the first philosophers, if not the first, to have conceptualized inter-subjectivity. Mutelesi (1998), referring to this conceptualization, defines it as 'the reciprocity in the relation between "I" and "Thou"'. P. Lachièze-Rey (1965) considers that 'inter-subjectivity indeed characterises human society'⁸ (our free translation); he adds, to advocate a sociological perspective based on inter-subjectivity, in opposition to an approach 'where social facts are dealt with as if they were "things", [that] 'we have to consider the action of any individual in his relation to others' [and] 'that inter-subjectivity provides us with the means to draw out our latent riches through the behaviour of others'. These latent riches are sometimes negative or are accompanied by negative judgements. They are, we have to emphasise this point, virtualities which solicit a choice or a judgement, and provoke it' (*ibid.*)

Discourse ethics in order to take into account inter-subjectivity

How to construct this inter-subjectivity? Husserl 'explains in a text written in 1932 that even an empathy which has been actively experienced by "I" and "Thou" allows nothing more than a mere being-together of subjects', [because] "to provoke the emergence of an actual inter-subjectivity"... we also need... a project and the will to communication' (Mutelesi, 1998, our free translation). Joseph (2004) also notes that 'without an effective process of communication... inter-subjectivity would be only fantasy' (our free translation). As communication appears to be central, we have turned our reflections towards discourse ethics and the analyses conducted Apel and Habermas (1992) in order to propose a few pathways. The two philosophers suggest transcending the paradigm of subjectivity by the paradigm of communication. 'Whereas Kant allots to the individual the task of applying the universality principle in order to discover what actually are his obligations... discourse ethics gives this determination to practical and actual discussions with all the persons who are affected' (Desjardin, 2004, in his comments on Apel's writings, our free translation). In so many words, 'as soon as we accept to discuss, we have already tacitly accepted a normative and ethical principle which requires us to submit any disagreement to arguments in order to achieve a consensus' (*ibid.*).

A few outlines for an actual implementation

We therefore refer to the concepts elaborated by the philosophers of discourse ethics to suggest new ways of accounting, in the field of financial as well as social accounting, in order to allow the different actors to take part in a process of responsabilization which would no longer result merely from the goodwill of an abstract entity – the firm – or from the constraints imposed by law, but from a co-construction, always potentially conflicting and never ending, of demanding answers, of course contingent and evolutive, but generated in conditions of discussion which should be recognized as universally valid.

The following sub-sections sketch only a few paths; essentially they are intended to show that there is no fatality, that other ways of thinking and of acting exist and can be worked out.

Changing the accounting model

The Anglo-Saxon model which deeply influences the present process of accounting standardization should be abandoned and replaced by a model which better respects the different stakeholders. Premises for such a model exist in the continental framework which has been developed in countries where banks and State play an important role in the business life and take into account the information needs of a wider range of stakeholders. The French accounting model is (or, better, was) embedded in such a perspective: all observers agree in considering that ‘this model proposes a pluralist perspective which attempts to take into account the interests of the different stakeholders in the enterprise’s life’ (Heem, 2003b, p. 8).

The role of qualitative data should also be reevaluated. Bissara denounces ‘the illusion of “all numbers”’ (2003):

similar accounting norms describe activities, which are very different. Therefore financial statements cannot be understood if they are not complemented by a description, even succinct, of the enterprise’s activity and its main characteristics... This is why accounting information should not be dissociated from more ‘literary’ information, which is provided in the annual report or in the ‘document de référence’.⁹

Opening spaces of discussion

Spaces for discussion may be opened at different levels: between standards-setters from different countries on one side, and between enterprises and their stakeholders on the other side. Internet potentialities could be used for this purpose.

Spaces of discussion for standards-setters. Talking about the instruments of public accounting, Viveret (2003) considers that ‘the choices, very often implicit, which underpin the indicators of wealth, should be submitted to a democratic debate, in order to question the aim and the legitimacy of the new indicators to implement’. The issues which are related to financial or social accounting are of no lesser importance and, from our point of view, refer to the same problematics. Colasse (2002, p. 90) reminds us of a time ‘when – in the 70s – Europe paraded great ambitions in the field of accounting standardization... The aim was not to impose common standards on European enterprises, but, more modestly, to define a framework which would limit the variances between member states. Their ultimate purpose was a mutual recognition of their own different accounting standards’ (our translation). The standards-setters of today from different countries are not provided with opportunities to exchange and discuss their various perspectives. It is into this vacuum that IASB, with much cleverness, has rushed. A forum of standards-setters, representative of different orientations (and more especially of perspectives, which would be more stakeholder-orientated) could be a starting point.

Spaces of discussion for the enterprises and their stakeholders. As far as the relation between enterprises and their stakeholders is concerned, the proposal made by Neuville, chair of the Defence of Minority Stockholders Association, could be used as a source of inspiration. Her statement is very similar to ours. In the course of a debate entitled: ‘Can Financial Statements Tell the Truth?’ (*La comptabilité peut-elle dire le vrai?*, 2004), she points to the information asymmetry between managers and investors (this phenomenon is still more true for the relationship with all the stakeholders). She observes that although information is continuously increasing in volume, it however gives nothing but a very limited and simplified view of economic realities and therefore lends itself to manipulation. She also notes that the means to analyse this information, which in addition is voluminous and complex, do not exist. She expresses doubts about rules: ‘as soon as a new rule is issued, firms of accounting and financial engineering find the means to evade it’. Instead of rules, she favours principles, which could contribute to an improvement of the system, but she wonders how to enforce these principles: ‘auditors cannot play this role and justice can achieve it only from time to time’.

Neuville therefore suggests promoting contradictory debates: she is ‘in favour of financial information, which would be produced

according to practices and principles of contradictory debate. She adds:

from the confrontation of different interests and from different points of view, a truth acceptable to anyone could emerge. This is not a utopia; in the field of taxation, the principle of contradictory statement already exists: the tax administration, for instance, can re-term an accounting operation. And in general meetings, shareholders can ask questions on financial statements and through this means contribute to the information and to the curiosity of the others. We must go further and multiply this kind of exercise. (*Ibid.*)

Neuville quotes the example of a firm whose financial statements she had contested and to which she had therefore caused some difficulties: this firm has, however, published her questions and the answers it gave to her in its document de référence. Gélard, who is a member of the IASB, in the course of the same debate, found the idea interesting and suggested 'either opening to shareholders meetings of financial analysts, for instance on the internet, or publishing an account of them: there would then be an actual contradictory debate'. He also put emphasis on the fact that 'when there are problems in the way operations are accounted for, we can be sure that analysts will ask questions' (our translation).

The Internet as a technology for discourse ethics?

To what extent in the field of CSR can the Internet contribute to a generalization of these contradictory debates and to the development of the communicative action and discourse ethics preached by Habermas and Apel? An increasing number of philosophical, sociological and political writings are already making serious efforts to build bridges between the propositions made by the German philosophers and the use of the Internet (for instance, see Kamga and Totschnig, 2000, or Ess, 1996; Muskerji and Simon, 1999; Poster, 1999; Schneider, 1996, Toulouse and Luke, 1998; Thronton, 1996, and Ward, quoted by Perzynski, <http://socwww.cwru.edu/~atp5/habermas>, 2005). Kamga and Totschnig (2000, pp. 8–9) already detect in the processes of self-regulation of the Internet potentialities for communicative action. They underline the culture of cooperation which is specific to the internet and which favours 'consensus to the detriment of power struggles' as well as its 'open and ludic character'. Of course, 'the conditions of access to the Internet do not intrinsically guarantee more democracy. But no other media contain as great a potential to

share the production and diffusion of information as the internet' (*ibid.*, our translation).

The Internet also has a number of characteristics which are interesting for the deployment of CSR and the relation to stakeholders, compared to the traditional mode of information diffusion: it breaks away from spatial borders and it allows a highly decentralized participation to modes of communication (*'the "one too many" ... which were till recently restricted to institutional and powerful actors'*, pp. 1–2). In this perspective, the whole set of stakeholders is called upon to constitute a virtual community whose borders are not defined in advance but can vary according to situations.

We could, for instance, imagine the creation by each enterprise of a forum in which each interested actor could participate. Instead of collecting bulky reports with series of numbers which cannot be used (because data are both rarely comparable and too numerous) and which are often not relevant (who is interested in knowing the volume of water consumed by banks?), we could read in this forum records of experiences and reactions. The worker from a plant in a developing country could, for example, give accounts (and why not images) about his working conditions (maybe with the help of a NGO). The supplier could explain the way contracts are discussed. The customer could express his satisfaction or dissatisfaction with the goods and services which are delivered to him. The man in the street could react to an advertising campaign. The tax administration could give results of its inspection. The workers' unions could explain their claims. Inhabitants who live near a factory of the enterprise could also describe the nuisances they suffer. Of course Internet forums of this kind already exist, but till now they have been scattered and concentrated on subjects often common to several enterprises. The innovation would be to concentrate information on the enterprise's site itself.

The main difficulties apparently lie in the regulation of these forums; but these difficulties should not be overestimated. Two complementary approaches need to be used: the application of information technologies, and the definition of debating rules. We mention only a few possibilities, the actual implementation of such devices would imply a specific research programme.

As far as the first point is concerned, applications already used by firms in the field of strategic vigilance such as data-mining, textual analysis and so on could be used to more easily exploit all the information produced. At the elementary level, a search engine could allow

anyone to find the relevant information (working conditions, environment protection, and so on). Alert messages could signal the arrival of new information to people who would have registered on a distribution list. At a more sophisticated level, artificial intelligence resources (data-mining or text analysis for example) could be used to create relevant and emerging headings as well as to elaborate abstracts and syntheses.

A growing number of actors are already aware of the issues related to the second point (see for instance the 'Declaration of Principles' and the 'Plan of Action' issued by the World Summit on the Information Society, Geneva, 2003, www.wsisgeneva2003.org). The codes elaborated to regulate participation in these forums could be inspired by the codes which have already been elaborated in some virtual communities 'to increase the quality of exchanges, to prevent misuses and to create an identity based on a set of common shared values' (Kamga and Totschnig, 2000, p. 17). These codes 'bring a material contribution to the keeping of civility and conviviality in virtual spaces' (*ibid.*). Among different devices, which have still to be formulated, we suggest for instance that anyone in the enterprise could be empowered to answer any question asked by another stakeholder, and that the answer should not exceed the initial comment in length. To engage a dynamics of progress, it could also be required that anyone formulating a criticism should propose a possible improvement.

Conclusion

If accounting is to contribute to the development of CSR and enable the Other (our fellow being according to Simon (1993), 'stakeholders' in the discourse on CSR) to take in hand his destiny, it is necessary not only to fully recognize a space for subjectivity, but also to allow it to be transcended by inter-subjectivity. The elaboration of another accounting framework (an actual and alternative means to develop creative accounting) and the progressive implementation of deliberative democracy may provide ways for the expression of this inter-subjectivity. Discourse ethics can provide conceptual bases for this approach; and the use of the Internet could contribute to an effective implementation of our propositions.

As a conclusion, we would like to remind our readers that in most languages counting has two different meanings: putting numbers on things, and telling stories. We suggest, therefore, that in order to reconcile accounting, corporate social responsibility and stakeholders, primacy be given to living speech where hitherto there have been only dead numbers.

'For with the same measure you measure it will be measured back to you.'

Gospel of Luke, 6, 38

WEB World English Bible

<http://www.earlychristianwritings.com/luke.html>

Notes

- 1 'Measure' and 'meter' are issued from the same indo-european root.
- 2 The theories of positive accounting and of legitimation give complementary explanations for this situation: see for instance Watts and Zimmerman (1986) for the first perspective and Tinker *et al.* (1991) for the second.
- 3 Procustes, in Greek mythology, 'was a host who adjusted his guests to their bed... He kept a house by the side of the road where he offered hospitality to passing strangers, who were invited in for a pleasant meal and a night's rest in his very special bed. Procustes described it having the unique property that its length exactly matched whomsoever lay down upon it. What Procustes didn't volunteer was the method by which this "one-size-fits-all" was achieved, namely as soon as the guest lay down Procustes went to work upon him, stretching him on the rack if he was too short for the bed and chopping off his legs if he was too long. Theseus turned the tables on Procustes, fatally adjusting him to fit his own bed'. <http://www.mythweb.com/teachers/why/basic/procustes.html>
- 4 'The objective of this Standard [IAS 1] is to prescribe the basis for presentation of general purpose financial statements *in order to ensure comparability* (our emphasis) both with the enterprise's own financial statements of previous periods and with the financial statements of other enterprises'.
- 5 A bench has replaced Procustes' bed but the objective remains the same.
- 6 In the broad sense, performance includes relevance, coherence and performance in the narrow sense).
- 7 Recognizing the existence of a subjective dimension and the impossibility of dissociating it from the objective and rational dimensions constitutes in itself a material progress.
- 8 Joseph (2004) definitively agrees on this perspective: 'without inter-subjectivity, humanity would not have appeared' (our free translation).
- 9 This document is produced for the Autorité des marchés financiers which in France plays a role similar to the SEC in the USA.

Bibliography

- Alpha Etudes (2003) 'Les informations sociales dans les rapports annuels: quelle application de la loi NRE? Une étude sur les sociétés du SBF 120', Centre d'Etudes Economiques et Sociales du Groupe Alpha.
- Bachelard, G. (1934) *Le nouvel esprit scientifique* (Paris: Presses Universitaires de France, Coll. 'Quadrige').
- Bergson, H. (1907) *L'évolution créatrice* (Paris: Presses Universitaires de France, Coll. 'Quadrige', 1998).

- Bissara, P. (2003) 'L'entreprise française face aux nouvelles normes comptables internationales', conférence prononcée à l'Académie de Comptabilité, 22 April 2003, ANSA, no. 3213 (July) <http://www.ansa.asso.fr/site/3213.asp>.
- Boltanski, L. and Thevenot, L. (1987) 'Les économies de la grandeur', *Cahiers du Centre d'Etudes pour l'Emploi*, Presses Universitaires de France.
- Capron, M. (2000) 'Comptabilité sociale et sociétale', in Colasse, B. (ed.), *Encyclopédie de Comptabilité, Contrôle de Gestion et Audit* (Paris: Economica), pp. 407–19.
- Capron, M. and Quairel, F. (1998) 'Contrôle de gestion et pilotage des performances sociétales', in *Actes du XIXème Congrès de l'Association Française de Comptabilité*, vol. 2 (Nantes, 14–16 May 1998), pp. 569–84.
- Christophe, B. (2000) 'Environnement naturel et comptabilité', in Colasse, B. (ed.), *Encyclopédie de Comptabilité, Contrôle de Gestion et Audit* (Paris: Economica), pp. 657–68.
- Christophe, B. (2000) 'Intention et comptabilité', in Colasse, B. (ed.), *Encyclopédie de Comptabilité, Contrôle de Gestion et Audit* (Paris: Economica), pp. 845–56.
- Colasse, B. (2002) 'La guerre des normes n'aura pas lieu', *Sociétal*, no. 37 (3rd trimestre), pp. 89–93.
- Colasse, B. (2004) 'Harmonisation comptable internationale: de la résistible ascension de l'IASC/IASB', *Gérer et Comprendre*, no. 75 (March), pp. 30–40.
- Crozier, M. and Friedberg, E. (1977) *L'acteur et le système* (Paris: Editions du Seuil, Coll. 'Points politique', 1981).
- Desjardin, A. (2004) 'Karl-Otto Apel, la réponse de l'éthique de la discussion', <http://www.ac-amiens.fr/academie/pedagogie/philosophie/lectures/Apel.htm>.
- Foucault, M. (1975) *Surveiller et punir, naissance de la prison* (Paris: Gallimard, Coll. 'Tel', 1998).
- GRI, (2003) 'Lignes directrices pour le reporting développement durable', version 2002, www.globalreporting.org/guidelines/Guidelines2002_FR.pdf.
- Guerrien, B. (1996) *L'économie néo-classique* (Paris: La Découverte, Coll. 'Repères').
- Habermas, J. (1991) *De l'éthique de la discussion* (Paris: Les Editions du Cerf, 1992, translated from the German *Erläuterungen zur Diskursethik*, Suhrkamp Haus).
- Heem, G. (2003a) 'Les normes IAS : une comptabilité pour qui?', *Les Echos* (11 March), p. 49.
- Heem, G. (2003b) 'Les normes comptables IAS/IFRS : quel modèle comptable? quels utilisateurs privilégiés?', *Revue des Experts-Comptables de France* (June), pp. 33–5.
- Henriot, J. (2002) 'Responsabilité', *Encyclopaedia Universalis* (DVD, version 8).
- Husserl, E. (2001) *Sur l'intersubjectivité*, tome I (Paris: PUF, Coll. 'Epithémée', partial translation of *Zur Phänomenologie der Intersubjectivität*, 3 volumes – I. 1905–20, II. 1921–28, III 1929–35 – edited in 1973, La Haye, by Martinus Nijhoff in *Husserlania*, Vols XIII, XIV and XV).
- Joseph, (2004) 'De l'intersubjectivité et d'internet', chapter 1, <http://philagora.net/philo-fac/joseph.htm>.
- Kamga, O. and Totschnig, M. (2000) 'L'autorégulation de l'Internet et ses répercussions sur le rapport entre les institutions publiques et les citoyens', www.er.uqam.ca/nobel/d36410/regulation.pdf.
- KPMG (2003) 'L'information non financière dans les documents de référence des sociétés du CAC 40 – Bilan sur la mise en œuvre de la loi NRE (art. 116) sur l'exercice 2002', KPMG, www.kpmg.com.

- Lachîze-Rey, P. (1965) 'Réflexions sur la nature de l'esprit', *Philosophia*, extrait disponible sur <http://www.philagora.net/philo-fac/lac-rey1.htm>.
- 'La comptabilité peut-elle dire le vrai ?' (2004) Report of the debate organized by the École de Paris (M. Autret and A. Galichon, mining engineers; G. Gélard, member of IASB and head of liaison with CNC; C. Neuville, president of ADAM; and A. Joly, president of the Conseil de surveillance de l'Air Liquide), in *Les Annales de l'École de Paris* (Paris: Association des Amis de l'École de Paris du Management, 2004), vol. X.
- Lebas, M. (1995) 'Oui, il faut définir la performance', *Revue Française de Comptabilité* (July–August), pp. 66–71.
- Le Maître, P. (1998) 'Processus d'une configuration organisationnelle et critères de performance', in *Actes du XIXème Congrès de l'Association Française de Comptabilité*, vol. 2 (Nantes, 14–16 May), pp. 819–32.
- Le Robert*, (1980) *Dictionnaire alphabétique et analogique de la langue française* (Paris: Société du Nouveau Litté).
- Lespès, J.-L. (2003) 'La responsabilité sociale de l'entreprise : quelle crédibilité ?', *La lettre d'Innovece*, no. 27 (22 September).
- Mascré, V. (1994) 'Passage du "contrôle" de gestion au pilotage de la performance', *Revue Française de Comptabilité*, no. 260 (October), pp. 57–64.
- MEDEF – PricewaterhouseCoopers, (2003) 'Prise en compte de l'article 116 de la loi NRE dans le rapport de gestion des entreprises au CAC 40', www.pwcglobal.com.
- Mermet, L. (1997) 'Evaluer pour évoluer', *Les Ateliers du Conservatoire du Littoral*, no. 14 (4 June).
- Morel, C. (1992) 'Le mal chronique de la connaissance ordinaire sur l'entreprise', *Gérer et Comprendre*, no. 28 (September), pp. 71–83.
- Morgan, G. (1988) 'Accounting as Reality Construction: Towards a New Epistemology for Accounting Practice', *Accounting, Organizations and Society*, vol. 13, no. 5, pp. 477–85.
- Mouffe, C. (1994) *Le politique et ses enjeux. Pour une démocratie plurielle* (Paris: La Découverte/MAUSS, Coll. 'Recherches').
- Mutelesi, E. (2004) *Subjectivité comme auto-organisation. Une étude du constructivisme radical au départ de Husserl*, (Université Catholique de Louvain, Louvain-La-Neuve, Belgium; doctoral dissertation for the Institut Supérieur de Philosophie, <http://www.univie.ac.at/constructivism/books/mutelesi/4html>).
- Nifle, R. (1986) *Au cœur du sujet, la théorie de l'Instance et des Cohérences* (Paris: Editions de Poliphile).
- Nifle, R. (1996a), 'La trialectique' (<http://www.coherences.com>: Institut Cohérences).
- Nifle, R. (1996b), 'L'évaluation, Sens et méthodes' (<http://www.coherences.com>: Institut Cohérences).
- Novethic, (2003) (consultancy in CSR) 'Analyse du reporting social et environnement du CAC 40', special issue of *Lettre de l'économie responsable*, no. 13 (Summer).
- Perzynski, A. (2005) 'The Internet and the Theories of Jürgen Habermas', (<http://socwww.cwru.edu/~atp5/habermas.html>).
- Quairel, F. (2004) 'Responsable mais pas comptable: analyse de la normalisation des rapports environnementaux et sociaux', *Comptabilité Contrôle Audit*, vol. 1(10) (June), pp. 7–36.
- Raffournier, B. (2003) 'Comptabilité créative et normalisation comptable', *La Revue du Financier*, no. 139 (February), pp. 79–80.
- Rainelli Le Montagner, H. (2002) 'Des marchés et des hommes' in *Sciences de Gestion et Pratiques Managériales*, (Paris : Economica-IAE, Coll. 'Gestion') pp. 441–49.

- Ricoeur, P. (2002) 'Ethique', *Encyclopaedia Universalis* (DVD, version 8).
- Simon, H.A. (1959) 'Theories of Decision Making', in *Economics and Behavioral Science*, *American Economic Review*, 49, pp. 253–83.
- Simon, R. (1993) *Ethique de la responsabilité* (Paris: Les Editions du Cerf).
- Stolowy, H. (2000) 'Comptabilité créative', in B. Colasse, dir., *Encyclopédie de Comptabilité, Contrôle de Gestion et Audit* (Paris: Economica) pp. 157–78.
- Stolowy, H. 'Existe-t-il vraiment une comptabilité créative?' www.campus.hec.fr/profs/stolowy/perso.articles/Encyclo.pdf.
- Terra Nova, (2002) 'Rapports annuels et développement durable: le point sur les pratiques de reporting' (www.terra-nova.fr/index-old.html).
- Terra Nova, (2003) 'Le reporting social et environnemental des entreprises françaises', *Rapport de l'Observatoire des pratiques de reporting social et environnemental* (www.terra-nova.fr).
- Tinker, A.M., Lehman, C. and Neimark, M. (1991) 'Corporate Social Reporting: Falling down the Hole in the Middle of the Road', *Accounting, Auditing and Accountability Journal*, vol. 4, no. 1, pp. 28–54.
- Utopies, (2003) 'Etude de benchmarking sur les rapports des entreprises au SBF 120' (www.utopies.com).
- Viveret, P. (2003) 'Reconsidérer la richesse', *La Revue des Sciences de Gestion*, no. 194, p. 5.
- Watts, R. and Zimmerman, J.L. (1986) *Positive Accounting Theory* (Englewood Cliffs, NJ: Prentice Hall).
- Weickmans, R.S., 'Ethique de la responsabilité', www.membres.lycos.fr/weickmans/Partie04_2.htm.
- World Summit on the Information Society, (2003) 'Declaration of Principles' and 'Plan of Action', www.wsisgeneva2003.org.

10

Social Rating: Performance Measurement or Social Mediation?

Françoise Quairel

Introduction

Social rating aims at providing fund managers with objective measures on extra-financial performances. It summarizes the social and environmental companies' profiles and gives a synthetic evaluation. Social rating is often deemed as a transposition of financial rating; as this rating provides financial actors and asset managers who have neither the time nor the expertise to appraise corporate social performances (CSP) with decision-making tools. It could be defined as an independent and objective opinion on environmental and social performances of the organization. Whether financial or social, the rating can be analysed as a 'management tool' according to Berry (1983), that is, 'material or conceptual means aiming at reducing complexity and at simplifying reality'.

More than 40 social agencies in the world carry out social ratings, but as their assessment methodologies as well as their screening criteria are quite different they may provide different even contradictory ratings for the same company. On one hand, this results in a large scepticism on the feasibility of the process, but on the other hand, by providing a measurement frame, social rating enacts and makes sense of corporate social responsibility (CSR), allows media communication¹ and draws managers' attention by highlighting new performance areas. For the large listed companies, to be selected in an ethical index or sustainability index is interpreted as good social responsibility, a key factor of their reputation.

This chapter analyses the social rating from both functional and social perspectives as proposed by Berry (1983), Moisdon (1997) and Gilbert (1998). First, we adopt an operational approach to analyse the characteristics of this tool and its functions in order to emphasize the values and

limits of the rating as a representation of social performance. We intend to highlight, in a second section, the political and social function of this device: it plays a central role in influencing corporate managers' behaviour and its stakeholder relationships but this role is above all a symbolic one.

Social rating: a symbolic performance measurement

The concept of performance is related to attaining one's objectives; it depends on context and actors. Performance is always a relative concept, and furthermore its evaluation depends on the tools that are elaborated and on the user's interpretation.

Social rating, financial rating: a symbolic transposition

Socially responsible investment (SRI) fund managers combine financial objectives with concern about social, environmental and ethical issues. They use financial and extra-financial criteria to select stocks and shares in investment portfolios. The first socially responsible funds were based on exclusion criteria. They proscribed 'sin stocks' (spirit, tobacco, gambling, for example) but, recently, screening methods have been replaced or complemented by more positive evaluation criteria, which are assumed to set up incentives for companies that adopt more progressive practices in these areas. Although it is rather simple to exclude a company according to its business, it is more challenging to identify which companies are most committed to social progress, and which companies pay more attention to their stakeholders' expectations. In France, SRI funds use very few exclusion criteria; the screening is mostly based on positive performance and sustainability practices. Hence the development of SRI funds requires the development of a sustainability rating activity. The idea of transposing the financial credit rating to the social and environmental field has been especially developed over the last ten years, and many sustainability analysis organizations were created in the 1990s. Some in-house rating organizations are set up within funds-management groups, while others are independent agencies specializing in social rating without providing financial analysis.² Their purpose is to sell investors (institutional or individual) information, rating profiles and grades dealing with CSP and corporate governance.

In order to promote their product, such agencies created SRI indices in cooperation with the main publishers already on the market (Dow Jones, Stoxx, FTSE).³ These indices are designed to reflect and benchmark the performances of the socially responsible equities. Although unclear

correlation has been shown between CSP and financial performance (Griffin and Mahon, 1997), the rating agencies are striving to highlight the financial out-performance of the SRI indices in comparison with their benchmark indices.

Promoters of social rating refer to the financial rating agencies and attempt to induce a semantic ambiguity to gain the symbolic power attached to credit rating. However, to understand the implications of this semantic capture, we must remember the key characteristics of a credit rating: born during the nineteenth century, it aims at assessing a company's capacity to repay its debts. It measures the default probability of borrowers and their ability to repay fully and in a timely manner financial debt obligations. It gives a formal evaluation based on a standard rating scale (from AAA to D) that provides lenders comparable information on credit risk and leads them to decide whether to approve a loan. This rating is related to bond issues and it is mandatory for certain international or specific kinds of bonds.

The grades are based on in-depth sectorial, strategic and financial analysis including legal and organizational aspects of the firm to answer a single question: has the company the ability to repay its debts? A higher credit rating leads to a lower interest rate and consequently to a more favourable issuer's image. It influences the conditions of access to the financial market and, hence, is often solicited and, paid for by the companies. The rating process is based on public economic and financial information and also on confidential documentation and personal interviews within the firm's managers; the grade is fixed by a committee including senior analysts; it is published, revised and monitored on an ongoing basis. Consequently, it is possible to affirm that financial rating is a mature tool. This analysis leads us to identify some key characteristics: credit rating has a clear function which is focused on precise users, based on well-defined criteria, *ex post* validation. Moreover, it is a tool that strongly influences investor behaviour and confers a large power on the three major rating agencies (Standard and Poor's, Moody's and Fitch). The self-predictable character of the default provision reinforces this power. Despite numerous criticisms, credit rating is widely institutionalized within the financial community.

The transposition of credit rating for social rating is more symbolic than sound. At a first glance, the semantic capture leads one to assign credit-rating attributes to social rating, but this doesn't stand up to serious analysis (see Table 10.1). We already notice that both ratings are management instruments reducing complexity and simplifying reality in order to provide financial actors and assets managers, who

Table 10.1 Comparison between credit and social rating

	<i>Credit rating</i>	<i>Social rating</i>
Management tool	Summary of the reality	Summary of the reality
Question	Only one: has the company the ability to repay its debts fully and on time?	Unclear question: is the company socially and environmentally responsible?
Agencies customers	Lenders and by extension investors; the companies pay for it	SRI funds managers and multiples stakeholders; the funds managers or companies pay for it
Information	Financial and economic, public and confidential, rather reliable	Lack of reliable sustainable reporting
Underlying model	Financial analysis and macro-economic analysis recognized worldwide	Lack of a ground analysis model; emerging methods with a strong cultural influence
Functional value	Maturity stage of the proven; predictable function	No demonstrated correlation between social and financial performances and no anticipation of future social performance

have neither the time nor the expertise to appraise corporate social or financial performances, with decision-making tools. But social rating is difficult to validate since it implies answering multiple questions targeting different kinds of stakeholders' expectations: the difficulty is in choosing between simplification and relevance. The different, even conflicting objectives of stakeholders, the multiple performance areas and the lack of reliable information dilutes evaluation. Rating becomes a malleable instrument, which strongly depends on the Corporate Social Responsibility definition of its creators. It does not allow any provisions on social or environmental forthcoming practices of the firm, and therefore cannot fulfil its function in assisting SRI fund managers' decision-making.

A symbolic interpretation model

The concept of performance is related to attaining one's objectives; it depends on context, subject and actors. Its assessment lies in the tools that represent its measurement and on the subsequent interpretations. It is

therefore necessary to analyse the interactions within the social-rating design process between its users, its creators and the various instruments involved in its construction.

Practices and ratings criteria differ slightly from one organization to another, and assessment results depend on the organizations that have carried it out. The agencies 'don't speak in one voice'⁴ and their obvious differences make appraisals difficult to compare and lead to a certain lack of credibility as to their value.

The methodologies⁵ used differ mainly on two levels: inclusion or exclusion of sectors, and criteria used. The methods imply different steps and for each of these steps the concept of CSR leads to different choices:

- Step 1: Segmentation of the performance fields which are supposed to correspond to the main stakeholders – environment, customers, suppliers, shareholders, (corporate governance), internal social policy (employment, working conditions), external social policy (human rights, local community, sponsorship and so on).
- Step 2: Choice within each field of the indicators; the largest agencies inform on 300 to 500 points within the different fields mentioned above.
- Step 3: Assessment of the indicators according to the criteria answering the stakeholders' expectations (or some of them). These criteria usually assess the commitment of the proposed policies, their implementation and their results (according to PDCA)⁶ and a final assessment compared to a sectorial benchmark.
- Step 4: The weighting of the items, of the sub-domains or even the domains themselves. How to combine good results in one sub-domain and poor ones in another?

Even if the evaluated fields are quite similar, the criteria for each rating agency reflect in its assessments the socio-cultural concerns of the country concerned and the underlying concept of CSR for each organization: What is the image of a good performance in a social and environmental field? These criteria also depend on the nature of the rating organizations' founders: some are tightly linked to investing organizations, others are closer to NGOs (CEP) or trade unions (PIRC), while others are created in gathering companies, European unions and financial organizations (Vigeo). Those in the first category try to assert competence and objectivity as well as their close connections to investors; the second category means to express the expectations of civil society and the third tries to

establish a dialogue between parties whose concerns differ widely in principle.

The various steps of the rating process are but a normative choice by which performance representation is constructed and a rating given. Methodology can sometimes be more qualitative: assessments then result from a 'committee' of experts representing the stakeholders, and assessing the data produced by the analysts (Ethibel). If qualitative approaches seem preferable the choice could be detrimental to replicability and opposability as well as the transparency desired by investors and companies.

For investors soliciting rating – the usual rating – most information is obtained from external sources such as the media, the financial press and public organizations. Most rating agencies do their best to validate the information with more confidential sources such as trade unions and NGOs or other third parties. They strive to complete the information gathered by either interviewing managers or sending questionnaires directly to the companies that are evaluated. It must be noted that most information the rating agencies work with is provided by the companies themselves. The poor level of the information gathered limits the quality and the reliability of the ratings assigned by the agencies. Due to their low revenues, they are undermanned which leads to superficial research and analysis of information. The ratio between the number of rated companies and staff involved (number of employees) is quite revealing as to the depth and quality of the data used; it is quite tempting for rating agencies to only retain the most easily available information. The lack of reliability of the information sources, the difficulties of their auditing in the global context, the hefty cost in obtaining such data, plus the lack of knowledge on the various cultures involved are deeply detrimental to the given grades' credibility.

These shortcomings may be due to the fact that this activity remains in the first stage of implementation. An ongoing learning process will allow improvements in gathering data, even more so if the societal reporting is standardized. But, faced with the complexity of the different fields taken into account and with the conflicting expectations on the part of the various stakeholders, the question is raised as to relevance of only one performance model: can conflicting views lead to a universal consensus? Isn't this a *mission impossible*?

The tailor-made approach delivered by a rating organization, that reflects investor own values and concerns within a contractual framework, where the customer clearly defines his requirements, cannot be disputed. But the impact of the rating may be questioned when the organizations

have their own policy: definition of criteria and weighting are imposed and tend to appear as universal without the clients knowing how these are comprised; they must accept the organization's choices. A certain image of the rated company is given depending on the agency's underlying CSR concepts without any further questioning.

Social rating and CSR enactment

Social rating : a mediation tool

The rating mediation has weight on different levels; on one hand, as a performance assessment, it focuses managers' attention on new areas and influences their decision-making; on the other hand, the concept of CSR integrates itself more deeply into the manager's cognitive framework and therefore interferes as a 'translator' according to Callon (1998).

As with any performance measurement, the signals sent out by social rating lead to rethinking on practices. As the saying goes 'what gets measured, gets managed', social rating enlarges strategic management's traditional field onto new issues. Consequently, there is a risk that companies will strictly comply with the criteria used by rating agencies. Most listed companies' sustainability officers are clearly assigned to insure that their company is selected into the main sustainable index basket. The rating would then assess the apparent rather than the actual compliance with CSR's objectives, appraising the ability to implement a formalized control system of process and communication tools rather than actual performance.

However, for the companies whose mediatic visibility is important, this signal has triggered a wide range of objectives and constraints to be taken into account and a shift in practices in some environmental and social fields.

As with financial ratings, social rating plays an implicit role on social mediation between the different actors: agencies, funds managers and listed companies, and sometimes some other stakeholders. Thanks to this rating, fund managers can make standardized decisions and give justified and indisputable evidence to the customers that mandate them. This toll reduces information asymmetry and allows fund managers to assure that they have been behaving in ways consistent with their customers' interests. The CIES⁷-labelled fund managers have to prove that they have taken into account extra-financial criteria in selecting their portfolios. The social grades become an unavoidable piece of the information and justification process.

Besides, social rating can lead to deep changes in actors' representation: the measures have a framing effect, highlighting the formerly vague concept of 'social quality'; furthermore, through their information requests to stakeholders and managers, agencies have become mediators. The rating tools are now common in financial actors' cognitive frameworks and language, and thus social-rating tools have become legitimate in the financial communication arena. By adapting to the financial community's cognitive framework, lending legitimacy to CSR for investors and structuring CSR decision-making, social-rating agencies play the role of 'translator' (Dejean *et al.*, 2004), ensuring coordination among actors according to Callon's framework (1998).

However, the process remains difficult: we have already outlined that it varies from one actor to another and its evaluation through different criteria may provide completely different appraisals for the same entity. Social rating gives a single answer to multiple questions. The lack of clear and homogeneous assessment methodologies and their difficult implementation are leading to an evolution of this measurement tool; either as a model for companies' social performance diagnosis or as a focusing of the model towards mainstream investors.

The evolution of social rating practices

From a superficial and external evaluation to a deeper internal diagnosis

Like any other companies, rating agencies meet profitability problems. This is particularly the case in France, where the SRI sector is incipient and the revenues from investor-solicited rating are low. Some agencies have planned to use synergy between their know-how and the reaction of rated companies' managers to develop a deeper diagnosis: the 'corporate solicited rating'. The intention is to use their rating methodology and criteria compared to sectorial benchmarks to produce an in-depth diagnosis of environmental and social performances within boundaries defined contractually with the company. This latter would give them access to inside information. The grade would then be a synthesis index but the diagnosis report would remain the most important output of this process.

This new kind of activity implicitly reveals the limits of the classical investor-solicited rating that does not provide an in-depth assessment of social performance. A corporate-solicited rating dealing with one business unit would require two to four analysts working for at least six weeks and a budget of €60,000 to €80,000. This would ensure an economically-viable model. Without any doubt, the

results obtained would be more reliable than those of the investor-solicited rating, but the process would not solve the problems as to the eventual conflicting criteria, which correspond to stakeholders' expectations.

The dangers involved in such an activity remain important: on one hand, since the evaluation is paid for by the company, the rating agency's independence must comply with a strict code of deontology and stringent controls should be applied, as should be the case for financial auditing. Despite the agencies' assertions, the line between rating and consultancy may be difficult to draw. Disclosure of results must be planned with the company, but the issue of the coexistence within the same sector of two kinds of ratings with different relevance remains unsolved.

The comparison with financial rating, paid for by the rated company as well, lacks relevance as this rating is mandatory for many bond issues on the financial market. A corporate-solicited social rating is a voluntary approach that aims to display the company's concerns for social and environmental issues, for diagnosis and future improvements. We may also interpret such a move as a tool to gain or improve the firm's reputation, especially to attract SRI investors. The analysis independence could be threatened by the demand for legitimacy, which the company is hoping for and expecting.

The focus on the mainstream investment community

Another major evolution is the change in the agencies' evaluation criteria that has become more focused on the financial impacts of companies' social behaviour. Agencies and other rating bodies seek to promote the raised awareness of financial analysts and funds managers towards financial risks related to non-sustainable behaviour in order to encourage them to integrate sustainability criteria in their evaluation process. They modify their assessment model according to the investor's objectives, especially by reinforcing the integration of risk and intellectual capital into the assessment criteria. Consequently, they reduce the ambiguity of the evaluation that is more clearly targeted to shareholders' expectations. This is the case, in particular, for the evaluation of corporate governance and risk-management performance. Standard and Poor's propose ratings in corporate governance practices, that is evaluation of the interactions between a company's management, its board of directors and its financial stakeholders (shareholders and creditors). This is to assess the extent to which companies' corporate-governance policies and practices serve

the interests of their shareholders. Disclosure and transparency are among the main evaluation criteria. Core ratings have developed an evaluation model answering the question as to:⁸ 'how well the board of directors have responded to, and are managing and reporting on, those risks which are potentially material to the value of the company's equity and bonds'. It specifically takes an investor's view of the potential impact of risks on value, because investors are the primary stakeholder group for companies. The key criteria in Innovest's assessment model are focused on intangible value-drivers; environmental, social and governance performance are used as leading indicators for management quality and long-term financial performance.

The ambiguity caused by the multiple stakeholders involved is thus partly cleared: extra-financial ratings assess management's ability to control risks and therefore to increase the financial value of the company according to the classical financial theories, but in the process they extend the fields of their investigation to the risks and opportunities linked with social, environmental and ethical aspects as well as corporate governance.

Conclusion

The obvious function of social rating is to measure corporate social performance in order to provide information for fund managers; it aims to transpose the financial-rating concept to the social domain. But a comparative analysis of both kinds of ratings reveals that this transposition is more symbolic than sound. We highlight two principal reasons hindering the functional use of social performance measurement; one is the 'black-box' model of its design due to the lack of reliable social information and the lack of transparent and homogeneous assessment methodologies, and the other, above all, lies in the multiple assessment criteria, depending on various, even conflicting stakeholders' interests, which cannot lead to a single relevant rating.

However, social rating plays a central role in defining and implementing CSR. It influences corporate managers' behaviour by enlarging performance fields to new areas. This social-performance measurement sets up an important cognitive framework for the actors within the organizational fields. Social-rating agencies play the role of 'translator' (Dejean *et al.*, 2004), and social rating is an important enabler for the ongoing CSR institutionalization process (Di Maggio and Powell, 1983). It provides CSR legitimacy among the largest listed companies and strives to add new dimensions to the internal diagnosis process, dealing especially

with risk-management. By focusing its criteria on the mainstream investors, social rating could evolve into an improvement in their performance-measurement process. So, its implementation has led these financial-origin instruments back towards their initial users; but, creating a standard performance measurement relevant to all stakeholders continues to be like trying to force a square block into a round hole.

Notes

- 1 'Le socialement correct (é)talonne les entreprises', *Le Monde*, 27 novembre 2001.
- 2 The most famous agencies or social rating organizations are: KLD, Innovest, Council of Economic Priorities (CEP) in the USA; PIRC and EIRIS in the UK; Centre Info and SAM in Switzerland; Ethibel in Belgium; Vigeo in France; Avanzi in Italy; and others.
- 3 At the end of 2004, 17 families of sustainability indices were counted; among the most famous are the Dow Jones Sustainable Index, the FTES4Good, and the ASPI Eurozone.
- 4 Novethic, *Lettre de l'économie responsable*, november 2002.
- 5 For further details see M. Capron and F. Quairel-Lanoizelée, *Mythes et réalités de l'entreprise responsable* (Paris: La Découverte, 2004).
- 6 Plan – Do – Check – Act are the well-known total quality management steps (Deming cycle).
- 7 CIES: The 'Comité Intersyndical pour l'Épargne Salariale' is a committee composed of the four main French unions that aim to define criteria for selecting funds suitable to invest employee's savings; it has identified funds that comply with these criteria.
- 8 www.coreratings.com

Bibliography

- Berry, M. (1983) 'Une technologie invisible? Impact des instruments de gestion sur l'évolution des systèmes humains', *cahier de recherches*, Ecole Polytechnique.
- Callon, M. (1998) 'Introduction: The Embeddedness of Economic Markets in Economics Approach', in Callon M. (ed.), *The Laws of the Markets* (Oxford: Blackwell), pp. 1–57.
- Capron, M. and Quairel, F. (2004) *Mythes et Réalités de l'entreprise responsable* (Paris: La Découverte).
- Di Maggio, P.J. and Powell, W.W. (1983) 'The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organizational Fields', *American Sociological Review*, no. 48, pp. 47–160.
- Dejean, F., Gond, J.-P. and Leca, B. (2004) 'Measuring the Unmeasured: An Institutional Entrepreneur Strategy in an Emerging Industry', *Human Relations*, vol. 57, no. 6, pp. 741–64
- Gilbert, P. (1998) *L'instrumentation de gestion, la technologie de gestion, sciences humaines* (Paris: Economica).

- Griffin, J.J. and Mahon, J.F. (1997) 'The Corporate Social Performance and Corporate Financial Performance Debate: Twenty Five Years of Incomparable Research', *Business and Society*, vol. 36, no. 1, pp. 1–31.
- Moisdon, J.-C. *et al.*, (1997) *Du mode d'existence des outils de gestion* (Paris: Seli Arslan, 1997).
- ORSE (2001) *Guide des Organismes d'Analyse Sociétale* (Paris: Editions La Découverte).

Index

- accounting, 149–64
Anglo-American model, 24–9,
33–5, 47
- Beck, U., 10–11, 20
business ethics, 29
- code of conduct, 21
common good, 37, 48–9
community, 43, 52–3
contract, 44–7, 53, 118, 127, 135, 141
corporate social responsibility,
24–5–9, 31–9, 73–5–6, 90–8,
100–2, 148–9, 154, 161–7–8,
177–9, 182
corporation, 39, 50–3
- DiMaggio, P., 11, 21, 77, 182
Donaldson, T., 40, 46, 73, 95, 102,
106–7
Douglas, M., 12–14, 18, 21
- Foucault, M., 1–6, 37, 149
Freeman, E. R., 40–1, 50–1, 58, 73,
95, 105–9, 127
- governance, 1–3, 7, 10, 18, 41
government, 1–9, 41–7
governmentality, 1–9
Granovetter, M., 14–18, 21, 130–2
- human resource management,
104–5, 111, 119–22
- ideology, 26, 35, 125–49, 160
institution, 10–14, 18, 21, 64,
75–8, 92
invisible hand, 89, 93–4
- Jones, T. H., 40–8, 73–4,
127
- legitimacy, 13, 30, 49, 65, 114,
132–33
liberalism, 4, 5, 7, 9,
42–3, 54
Locke, J., 43–7, 50–5
- Mitroff, I., 105–8, 119
model, 24–8, 33–4, 44
- non-profit organization, 29,
125–9, 131–4, 141,
166–77
- organization, 2, 10–12, 14, 26,
74, 77–8
- performance, 173–9, 182
Pesqueux, Y., 25, 39, 42,
76, 102
Powell, W. W., 11, 21,
77, 182
Preston, L. E., 40, 73, 95, 102,
106–7, 130–2
- Rawls, J., 47–8, 94
regulation school, 15–18, 64
responsibility, 46, 54–9,
60–4, 90–7, 131,
151–5, 182
- shareholder, 47–9, 59, 67,
74, 91
- Wicks, C., 40–8, 73–4