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A Stakeholder's Perspective on Human Resource Management

Michel Ferrary

ABSTRACT. In order to understand the system wherein 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, *Stakeholders of the Organizational Mind*, Jessey-Bass; Freeman, 1984, *Strategic Management: A Stakeholder Approach*, Pitman) concerning stakeholder theory opened new perspectives in management theory. An organisation is understood as being part of a politico-economic system of stakeholders who interact and influence management practices. Each stakeholder tries to optimise and protect his interests (Frooman, 1999, *Academy of Management Review* **24**, 191–205; Savage et al., 1991, *Academy of Management Executive* **5**(2), 61–75). The framework of stakeholder analysis enables escape from a purely instrumental approach to HRM, and avoids 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, etc.) as well as their dependent administrations. All these actors are considered to be stakeholders who define the legal framework of firm management and guarantee the application of these laws.

KEY WORDS: human resource management, industrial restructuring, political alliances, stakeholder theory

Introduction

Human resource management often appears as an instrumental science, defining and analysing management practices while ignoring the power games and conflicts of interest that those same practices may induce. From this perspective, HRM takes its cue from the rationale of management whose aim is to optimise the company's financial performance. This non-conflictual interpretation has been denounced in the scientific field of management (Brabet, 1993). Competent observers of organisational 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 bilateral interactions between employee and employer. Other elements influence this interaction. Firstly, the fairness or otherwise of HRM practices is a relative notion that leads each employee to compare management practices inside her organisation with those applied to other employees, both inside her own firm and in other organisations. Secondly, employees constitute social groups that may be more or less aware of their common interests, and more or less organised 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 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, far from being systematically conflictual, relationships between employee and employer are generally based on co-operation. 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 organisation. 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 Nike Corporation is a case in point. It demonstrates that consumer groups and non-governmental organisations were able to influence management decisions. By denouncing the use of underpaid child labour in factories subcontracted by the firm, 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 wherein 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 (Freeman, 1984; Mitroff, 1983) concerning stakeholder theory opened new perspectives in management theory. The organisation is understood as being part of a politico-economic system of stakeholders who interact and influence management practices. Each stakeholder tries to optimise and protect his interests (Frooman, 1999; Savage et al., 1991).

The framework of stakeholder analysis enables escape from a purely instrumental approach to HRM, and avoids 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, etc.) as well as their dependent administrations. All these actors are considered to be stakeholders who define the legal framework of organisation management and guarantee the application of these laws.

In the first part of this article, I will explain the main contributions of stakeholder theory to the understanding of organisation management. In the second part, applying this theoretical framework to HRM, I 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 organisation. In the third part, I will try to specify the systemic dimension of stakeholder theory by defining the structure of the system and the dynamics of its functioning. I will illustrate the construction of the conceptual framework through examples of industrial restructuring that resulted in staff reductions. These examples involve many different stakeholders, given the socio-political impact of employment.

The contributions of stakeholder theory

A socio-political approach to management

Stakeholder theory (Freeman, 1984; Manson and Mitroff, 1981; Mitroff, 1983) opened up a new perspective in the field of management by adopting an approach akin to that of political science. Stakeholder theory analyses the firm as an entity enmeshed within a set of interactions between parties inside and outside the organisation. The different interests these parties hold vis-à-vis the firm lead them to try to influence the functioning of the organisation in their favour. The notion of stakeholders extends from the most formal (shareholders, company board, etc.) to the most informal (friendships between directors, etc.). 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 recognised as such or not) that claims a share of the value created by the company's production, or holds 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 in 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, 1999, p. 192) define stakeholders as parties holding resources that are essential to the company's existence.

Stakeholder theorists propose different categories of stakeholders. These can be distinguished into voluntary and involuntary (Clarkson, 1995), primary or secondary (Carroll, 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 specialisation of economic actors make stakeholders interdependent in the creation of value (Durckheim, 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 organisations.

The company director plays a central role in the socio-political environment of production. In terms of how the creation of value can be optimised, the director can be considered a rational party who organises the resources at his disposal. Co-ordinating such resources (technological, human, financial, etc.) 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 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 or her 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 stem from stakeholders' differing definitions of the challenges facing the organisation. This results in their wishing the firm 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 intrinsic to each party, but 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 et al., 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 organisation, 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 over the ability 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 vis-à-vis the organisation.

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 organisation, but it is also due to the company director's capacity to mobilise parties to act indirectly on a party over which he or she has no direct power. The stakeholder's 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 unseat 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 publicised in the press and on TV harmed Danone's image. Consumer associations called for a boycott on 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. The directors' action resulted in halting consumer antagonism, thus putting a stop to factors that would have mobilised more stakeholders.[1]

Stakeholder influence and the organisation'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 calls for confrontations between stakeholders. For example in France, redundancy plans are governed by a specific social law. This 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 1000 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, etc.) enables the various stakeholders to use these as platforms for exerting socio-political pressure.

A strategic management of socio-political alliances

From a systemic standpoint, the objective of stakeholder management is to build alliances between several stakeholders whose interests converge with those of the firm. 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. This means knowing what interests these parties can optimise, 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' optimisation functions in order to make their interests converge with his or her own (for example, turning employees into shareholders).

These strategies of political alliances can be illustrated by the conflict between the West Coast Dockers and the Pacific Maritime Association in autumn 2002. The conflict began with a plan to modernise ports on the American west coast, in particular, to automate container handling. The trade unions accepted the project on the condition that it did not result in redundancies, and that the new jobs be unionised, thus benefiting from the same advantageous status (a docker's salary is on average $80,000 per annum, and can rise to as much as $160,000). The management choice made by the directors of the West Coast ports shows clearly that they gambled that they were in a favourable socio-political 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. Journalists got hold of the story. The 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% in one day). At the same time, the US administration in Washington was preparing to invade Iraq. Now, the dockers' strike blocked the military preparations by preventing the troops from leaving. To stand up to the strike, the Bush administration intervened. It put a stop to the conflict by requisitioning the dockers in the name of the Taft-Hartley Act 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 polarisation of stakeholders that 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 that has understood the interests of all the other stakeholders. This understanding can be used to mobilise the latter to act in the preferred direction, and to neutralise opposing parties either by modifying their optimisation function, and/or by constituting a stronger alliance.

Stakeholder theory and HRM analysis

Stakeholder theory is not specifically aimed at understanding HRM practices; for it to function as a pertinent framework for analysis of HRM, it needs to be revised and adapted. Stakeholder theory describes a political system, whose epicentre is the organisation. 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 organisations and individuals with multiple identities who have to justify the legitimacy of their actions, and whose interests and alliances are defined within a context.

Organisational and individual stakeholders

The organisation is the expression of co-operation and competition between socio-political entities. A firm is a ''legal entity'' whose behaviour results from contractual relationships between organisations and individuals holding elements of the production process, whose interactions are crystallised in the firm (Coriat and Weinstein, 1995). The contractual relationships between various stakeholders of the firm (clients, suppliers, employees, etc.) are effectively what makes up a company. The object of stakeholder theory is the analysis of contractual relationships between organisations and individuals. From this perspective, contracts, laws, company agreements and rules constitute the crystallisation 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 organisation. The law can be analysed as the materialisation at a given time of the dominant position obtained by an alliance of stakeholders. 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 20 years shows that HRM (training, remuneration, redundancies, working hours, etc.) is strongly influenced by choices in public policy, notably those resulting from the strategies of influence of professional unions (MEDEF[2]) and trade unions (CGT, CFDT[3]) and politicians' understanding of the role of economic activity. Stakeholder theory is useful in understanding why public authorities are involved in some situations. Behind the organisational 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. For example, when the site of the private firm 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 as put in charge of this case. Instead, the responsibility fell on 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 (in which Noyelle-Godault is located), and his involvement in the government's action might have had a favourable influence on his re-election.

Stakeholders with multiple 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 or she may be an employee, an investor, a client, etc. In the political sphere he or she may be a trade unionist, an elected official, etc., and in the social sphere he or she may be a parent, consumer, member of an association or church, etc. The diversity of actors' identities (Breiger, 1974; Tichy et al., 1979) introduces uncertainty as to the type of interests that they will optimise (Moldoveanu and Rowley, 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.

Complexity results in individuals belonging to different groups of stakeholders. This obliges the individual to make judgements concerning his interests that 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 or her various interests. This individual compromise is influenced by the interests and potential actions of other stakeholders involved.

The diversity 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 optimising different utility functions that 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 she act as a shareholder and profit from selling her shares to the purchasing company?

This diversity can sometimes lead to situations that 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, who was an Air France shareholder and former president of the Airline Pilots Union (Assemblée Nationale, 2003). The diversity of an actor's identity will shed doubt on the legitimacy of his or her 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 firm 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 mobilisation 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 contextualisation is necessary to understand stakeholder involvement and alliance strategies. The directors of the SNCF, backed by the right wing government of Alain Juppé in turn supported by the right wing RPR party, wanted to suppress 6000 km 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 that will probably lead to post office closures in France have resulted in the same alliance strategies between left wing unions (CGT, SUD[5]) and locally elected representatives, particularly from the right wing UMP[6] party (mayors, deputies, senators, regional councillors, etc.) 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 organisation must be perceived as legitimate, that is to say, it must be willingly accepted by others. Conversely, any contestation of a shareholder's action will firstly occur as a contestation of the legitimacy of his intervention. Analysis developed by Weber (1971) states 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 or she understands the mechanisms of the market economy and is able to take decisions that will optimise the interests of the organisation. The positive aspect of the ''laws'' governing the mechanisms of competition becomes the system that 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 one that can legitimise stakeholder action. Boltanski and Thévenot (1991) showed that within the same economic system, different systems of legitimacy co-exist. Other stakeholders will evoke other principles of justification to contest managerial action. The organisation gives employees rational and legitimate principles of justification on what to base their actions. The director's principle of justification will be the survival of the company, and that of the trade unions, the defence of employee interests; consumers associations defend the interests of consumers, and elected representatives, those of citizens. The fact of belonging to an organisation legitimises the action 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 that are defended under cover of the legitimacy embodied by the justifying principle of their organisation.

From the standpoint of strictly rational economics, the 2001 closure of Metaleurop, a lead and zinc producing plant in Noyelle-Godault, is 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% drop in the company's turnover, 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 a scientific challenge as it is a managerial one. Just as the scholar sees the force of his model weakened by the omission of a single element, so a company director unable to identify correctly all the stakeholders affected by his or her decisions runs the risk of seeing these decisions questioned by the one stakeholder absent from the list.

I have defined different politico-economic roles that 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 complex nature.[7] His or her multiple identities oblige 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 organisation environment. For example, this approach enables the inclusion of public authorities 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 that 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 initiate 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. The following table (Table I) 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 firm 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.

The dynamics of the stakeholder system

From an ''orga-centric'' to an a-centric system

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

Organisation 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 firm to greater or lesser degrees can be called on to interact not only with the organisation, but also with each other in order to manage influence over the functioning of the organisation. What is more, the nature of these interactions may vary depending on the interests of the actors towards the management of the firm. This approach supposes that we do not consider the company as a collection of bilateral contracts between politico-economic actors unaware of each other's existence, but rather as a multitude of actors making and breaking multilateral alliances according to their strategy of optimising their respective interests.

A systemic approach leads us to consider that stakeholders interact not only with the organisation itself, but also amongst themselves in order to intervene indirectly in the functioning of the firm. From this viewpoint, the firm 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. Thus, a redundancy plan will not mobilise 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 (Figure 1).

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

TABLE I

System of stakeholders

Actor	Interests	Means of action	Justifying principle
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, law making, 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

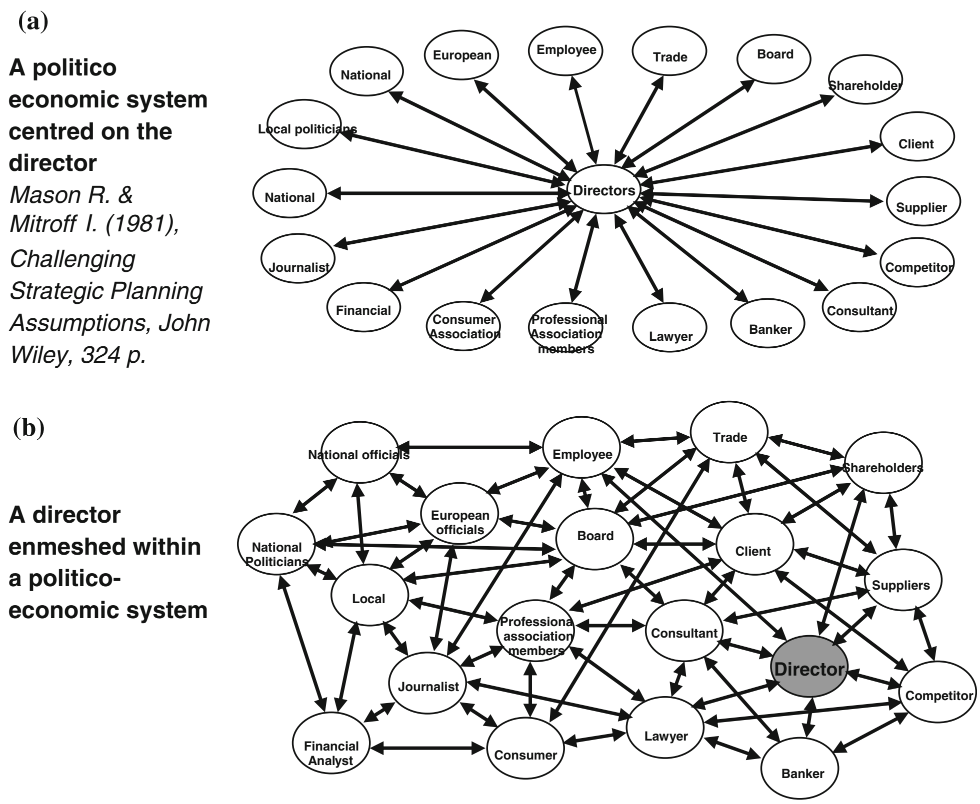

Figure 1. (**a**) A politico economic system centred on the director. *Source*: Manson and Mitroff (1981). (**b**) A director enmeshed within a politico-economic system.

complex structure of the stakeholder system that enables the parties concerned to act strategically.

Activating the stakeholder system: from virtuality to activity

Stakeholder theory assumes that the system of actors is continuously activated, and that the focal organisation interacts with its stakeholders on a permanent basis. In order to construct a theoretical framework of stakeholders that is useful for understanding HRM, I conceptualise the firm as being involved in a potential, rather than a permanent, relationship with its stakeholders. The firm does not deal with consumers 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 organisation's reality. 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. Their interrelationships are governed by informal routines, rules or contracts that 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 that will incite certain stakeholders to renegotiate their contribution to the distribution of value.

There thus exists a virtual system of stakeholders concerned with the firm's functioning. This virtual system is galvanised into ''reality'' according to whether managerial decisions involve stakeholders' interests or not. This understanding of the stakeholder system as one that is usually passive, but potentially active when the situation demands it has two consequences. First, 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 that has both the strongest chance of obtaining the value created by the system of production, and that 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 a gradual one. 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 firm as being enmeshed in a network of stakeholders obliges the director to measure his or her present actions according to their systemic and temporal dimensions. His or her present behaviour thus contains a clue to his or her future behaviour, and this information can be used both by his or her partners and his or her 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 of 1250 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 co-operative 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 reemployment in the same 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 out 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, outside the jurisdiction of French courts and administration. In a purely dyadic relationship, the employees of Metaleurop would have had the right to just 2000 euros of redundancy pay, with the prospect of being professionally and socially marginalised 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. The announced 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 organised 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, etc.). 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 to defend the legitimacy of this selling price.

This example shows how an industrial restructuring, that *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, etc.). The involvement of these stakeholders enabled the employees to obtain on average 15,000 euros of redundancy pay, a plan to assist the unemployed in getting 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 that activated it has disappeared. For example, the outplacement consultants (BPI, Altedia, etc.) that deal with redundancy plans continue to interact with the HRM that 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 that 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 re-employment plan, redundancy plan, etc.

However, the theory has to be adapted and refined if it is to become a pertinent framework for HRM practices. Stakeholders have multiple identities that result in their getting involved with the organisation'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 organisation, 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 firm 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, etc.).

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