Negotiation and Transaction in a context of Restructuring: The Role of actors : Trust and uncertainty

Jocelyne Robert

Jocelyne.robert@ulg.ac.be

Introduction

In 2002, we began a study on a Belgian steel group, issued from a long succession of local joint-ventures and mergers with a French company. Several years later, this corporate forms a European group which launched a reorganisation involving a partial closing of an industrial site in the Wallonia region. In 2006, this group was acquired by a family-owned global group with whom unions' representatives negotiated the re-opening of the abandoned activities at the Belgian site. In the first part, we will present the theories of Corporate Social responsibility, the situation of Multinational Compagny about CSR and the Theories of stakeholders. In the second part, we will present the case study and the analyse of this case before a reflexion about trust and uncertainty in the context of the case.

Theories of Corporate Social Responsibility (CSR)

Chauveau and Rosé (2003) identify several theories of Corporate Social Responsibility that could find application in private and public organisations:

- Neo-liberal theory (Friedman)   Utilitarian theory (Bentham, Stuart Mill) Theory of justice and liberal egalitarianism (Rawls) Discursive theory (Habermas)

Ballet and De Bry (2001: 194) highlight four types of responsibility that characterize private companies:

Economic
- ethical
- discretionary

These types of responsibility are assumed at three levels (Ballet & De Bry, 2001: 194-196):

- Institutional level
- Organisational level
- Individual level

Ethics has an important place in most theories of 'Corporate Social Responsibility'. Ballet and De Bry (2001) present three different approaches of 'Corporate social responsibility' in relation to ethical and moral concerns.

The American approach makes a distinction between Corporate Social Responsibility and Corporate Social Performance models.

The German approach refers to ethics of discussion developed by J. Habermas.

The French approach is presented as a school of though that "develops certain specificity", even though it is rather a set of works without any common reference (Ballet & De Bry, 2001). Its roots are found in the American school of 'Business Ethics' and in the German school of 'discussion and deliberation'.

Ethical concern makes also reference to the management by values. Ethics is about rules and references, and it refers to the eternal questions of good and evil. Ethics plays an important role in economic and social exchanges and in everyday management decisions. At the core of ethics, two fundamental values are highlighted today: transparency and trust, which is one of the consequences of transparency. The way negotiations are conducted, and their results, will determine the degree of trust or distrust, will contribute to create a specific organisational climate and will increase or decrease the degree of motivation and commitment of social actors.

Multinational companies and corporate social responsibility

Authors underline that two opposite positions are offered to an organisation: a proactive investment to increase social performance and credibility or on the contrary search of differences between countries and reduction of imposed constraints. An intermediate position does not favour the 'multi-nationality' of companies (Bouquet & Deutsch, 2008: 765). The policy of a multinational company could be to envisage social performance as one aspect of management permitting to each corporate unit to act according to different work environments (Bouquet & Deutsch, 2008:765).

The study presented could explain the interest for a multinational company to find a negotiated solution to constraints imposed in the field of corporate social responsibility and to conclude an agreement with trade unions compatible with its strategic objectives and its concern for performance.

Stakeholder theories

Richard Freeman (1984) gives the following definition of stakeholders:[1]

"A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives. It is obvious from my argument … why those groups who can affect the corporation should be 'stakeholders'. The point of strategic management is in some sense to chart a direction for the firm. Groups which can affect that direction and its implementation must be considered in the strategic management process. However, it is less obvious why "those groups who are affected by the corporation" are stakeholders as well, for not all groups who can affect the corporation are themselves affected by the firm. I make the definition symmetric because of the changes which the firm has undergone in the past few years. Groups, which 20 years ago had no effect on the actions of the firm, can affect it today, largely because of the actions of the firm which ignored the effects on these groups. Thus, by calling those affected groups "stakeholders', the ensuing strategic management model will be sensitive to future change and able to turn new "external changes' into internal changes.» (Freeman., 1984: 46)

We would like to highlight the importance of trade unions representatives in company management and to think of a possibility to consider them as stakeholders. To do this, we will examine different definitions that are evocated by Ballet and De Bry (2001). It seems that the concept of "stakeholder' is associated with identification of specific groups: shareholders, employees, clients, and public in general. Ballet and De Bry (2001: 255) define "primary groups" and "secondary group".

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[1] *"The origins of the word "stakeholder" were surprisingly difficult to track down. Ackoff (1974) credits Ansoff (1965) and quotes the references in Ansoff's book to Abrams (1954) and Cyert & March (1963)" (*Freeman, 1984:49, note 1).

Two approaches of 'corporate stakeholders' can be distinguished: a static approach centred on the identification of stakeholders, and a dynamic concept, according to which evolution of "priorities given to different stakeholders" is considered. Two concepts appear as well: a large and a narrow concept of stakeholders (Ballet & De Bry, 2001: 254). T

We can thus say that unions are "stakeholders' according to the narrow vision of "stakeholder theory'. Unions represent an entity able to affect "the achievement of the organisation's target". Considering trade unions as "stakeholders' is founded on the legitimate feature of their demands, based on "legislation' and even on "moral interest' in the profits or losses of the company's actions. We can also consider trade unions in the large sense of the theory as they can affect the company "thanks to the power of influence … on the behaviour of the firm, whether the exercised power is legitimate or not". 'Potential parties' "not yet spotted" can be even considered which are able to "rapidly be affected or affect the objectives of the company". This could be applied in the case where the company has no union delegate but where leaders informally play this role or in case where the firm has union representatives but there is no cooperation structure (Ballet & De Bry, 2001: 256).

Ballet and De Bry (2001) propose also a more dynamic model by identifying 'stakeholders' according to three criteria: "power""" legitimacy", and "urgency". They do no longer consider that power and legitimacy are necessarily opposite and are distinctly associated to large or narrow vision of "stakeholders'.

These different criteria permit them to define three different categories of 'stakeholders'.

1. 'Latent stakeholders'

2. 'Moderate stakeholders'

3. Stakeholders that fulfil three criteria and can rule the situation. The stakeholders who can 'rule' the situation are groups that have power, and legitimate and urgent demands. The survival of an organisation depends on the decisions made by these groups (Ballet & De Bry, 2001: 262-265).

From these analyses, we could conclude that trade unions fit the larger concept of 'corporate stakeholders' since they have legitimate demands, are likely to hold power and to present urgent demands. This can vary with time, according to situation, social actors, stakes and context. The negotiations that we have studied illustrate this reality.

Trade unions as 'stakeholders'

The rate of unionization in Belgium is rather high. In the company we studied, this rate reaches 90 % for the secondary sector and 70 % for tertiary sector. However, unionization globally underwent several changes: loss of professional knowledge by youth, individualism, and decrease of commitment. To understand this situation, we must refer to social values of the 1980s (individualism, hedonism) and to those of the 1990s (focus on one's family and on the neighbouring environment). This is generally accompanied by a lack of commitment at collective, social and political levels. Even if we observe a greater defence of ideals such as environment protection, human rights, humanitarian causes, denunciation of poverty in Southern countries, institutionalized commitment to unions or political parties seems to meet less success and even rejection. Another element of explanation, highlighted by the union delegate we interviewed, refers to the attitude of young graduates. Previously, union delegates did not go to university or to a college. Nevertheless, this was not due to a lack of skills or intelligence, but they belonged to the generation when youth left school at age of 14 years and went to work in order to bring an extra wage to the family.

Our interlocutor speaks about this generation with a lot of emotions because some of the ancients impressed him a lot. He considers that individualism associated to a greater mobility and the existence of precarious job contracts explains the absence of solidarity concerning job security. Modifications in the work organisation profoundly transform the role and tasks of union representatives.

If the idea of co-management is rejected, an intervention at strategic level is considered as normal: the intervention to defend the 'tools', to participate at the choice of the purchasers, to negotiate the conditions of the re-opening of the sites.

The new approach of management poses major challenges to trade unions action. The situation is not rigid and can evolve and transform according to those who occupy different management and union positions, according to time and to location where the activity takes place.

Case study of a social negotiation from the ethical point of view

The ambiguous status of trade unions as 'stakeholders' is well illustrated by our case study of a social negotiation in a steel plant. The interviews we conducted with union representatives and information available lead us to think that unions participate rather in a narrow vision of 'stakeholders' from the points of view of both unions and the company representatives. If trade unions, thanks to their status and role, are able to ally legitimate demands, power and urgency, the way of conducting some actions at certain moments is likely to pose the question of their legitimacy as 'corporate stakeholders'.

Contexts, Stages and Results of negotiations at Steel Plant [2]

In light of the information gathered from our interviews, a distinction should be made between the merger that occurred in 2003 to form a new European steel group, and the global merger in 2006 conducted by a non European steel group.

European merger (2003)

- The major shareholder withdraws from the management of the Belgian company.
- Political intervention: while waiting for a new owner, intervention by the Belgium Prime Minister. Take over by the State and then by the Wallonia Region.

Ethical questions related to the European merger

Global merger (2006) and negotiation with unions

Ethical questions related to global merger

Case study analysis

Several questions related to ethics and 'corporate stakeholders' will be considered in relation to our case study. We will examine these questions from different analytical lenses, in reference to theories of social interactions and transactions.

Interaction rites

The trade union delegate from the window of his office shows to the global group CEO the town, explains him his attachment to the region, economic difficulties, efforts made and the willingness of each employee to re-launch the plant to which everyone remains attached. He has at this moment a feeling of "sharing an exceptional moment", of 'being understood'. The 'auto-presentation' in the beginning of an interaction "creates an obligation, because this introduction creates one SELF for which an identity is required. To affirm this identity, one has to behave the same way he used to for the introduction (Luhmann, 2006: 73). However, the position of a stranger seems to be more free, escaping from constraints, rules and norms, to which people we are used to interact with have to submit themselves (Luhmann, 2006: 73).

This negotiation was the one of the last chance. Informal and initiated by trade unions without any certainty of success, it was all about 'double or quits'. It seems that this kind of situation marked by a degree of fatalism, where everything seems to be lost, is viewed as giving nevertheless choices. Goffman (1967) marvellously described this kind of situation: "this is enough to allow the situation to be read as one in which self-determination is central. Instead of awaiting fate, you meet it at the door. Danger is recast into taken risk; favourable possibilities, into grasped opportunity. Fateful situations

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[2]   Based on interviews, conducted in August 2007.

become chancy undertakings, and exposure to uncertainty is construed as wilfully taking a practical gamble." (Goffman, 1967: 171)

The situation is apparently determined by a context which may change. The definition of 'social action' in the framework of a 'concrete system of action' presented by Friedberg (1993) highlights the existence of games associated to rules that structure interactions. These interactions are "exchange and negotiation processes". Thanks to these processes actors manage their "mutual dependences' that favour their cooperation which in return permits the creation of these dependences. (Friedberg, 1993: 111). The games create a "local order', they rest on "rules, conventions, norms and values' that they also create.

The concepts of 'time' and of 'space' are useful to understand a negotiation process, as principles of differentiation and of cohesion.

Negotiation and Social transaction

The transcription of dialogue between the CEO of the global group and the trade unions delegation help us to situate the verbal exchanges in the framework of 'negotiation' and 'social transaction'. According to Blanc (1992), the field of transaction is wider than the field of negotiation. In the social transaction there can be disagreement over rules and even imposition of a situation. "Negotiation and imposition are two essential factors of social transaction." (Remy, Voyé & Servais, 1978: 249) Thus, a negotiation is not necessarily a situation in which actors have equal power and resources (Blanc, 1992: 9-10).

It seems that our case study refers to an unequal relationship where opportunities may appear as inaccessible and 'unreal' to trade unions. The actor is constrained by the objectives and motivations of other actors involved in the transaction but he tries to influence them as well. Thus, following elements must be taken into the account in the social transaction (Blanc, 1992):

- A degree of coherence and incoherence that exist between one's project and the projects of other actors.
- Relevant assets that each actor owns for this project and the consequences of the mobilization of these assets.
- The compatibility of different possible strategies and tactics with their context and structure.

These elements are pertinent to our case study and we can probably extend this concept of social transaction to every social relationship (Voyé, 1992: 197-199). Each actor can then, through social transaction, modify the attitude of others but also change his own way to perceive things (Pavageau, 1992: 47). The transaction is thus designed as a conversational form of adjustment to build a common project with (Trognon, 1992: 68).

Relations between 'different stakeholders'

The negotiation success in our case study is obviously related to collaboration between different participants: union representatives, public authorities, institutions at the European, national, and regional levels, and the direction of the global firm.

Multiplicity of stakeholders can be envisaged under three distinct manners. The first one is a 'form of matching'. Thus, it provides the means to determine whether two or more stakeholders' claims are complimentary or conflicting (Neville & Menguc, 2006: 381). The second manner is a form of moderation. (Neville & Menguc, 2006: 381). The third manner is to refer to Gestalt Theory and to consider that incidence of a set of different stakeholders is higher than the sum of each stakeholder taken individually. We also have to consider the relationship between different stakeholders and the coherence of their actions (Neville & Menguc, 2006: 381-382).

The interest of trade unions for different dimensions of social responsibility differs according to internal features of companies or external ones. Trade unions seem to give more importance to internal aspects: work conditions, education, training, employees' representation, and social matters whereas external aspects such as taking into consideration community or respect of environment are underlined by a minority of trade unions (Preuss, Haunschild & Matten, 2006: 259). These authors suggest that trade unions in the matter of social responsibility are more interested in traditional concerns by using "CSR as an instrument to further their traditional aims". (Preuss, Haunschild & Matten, 2006: 259).

The case of restructuring and merger that we presented here shows the relatively cautious attitude of trade unions regarding social responsibility. It also shows that trade unions imposed themselves as stakeholders to achieve their main purpose: conservation of the industrial 'tool' and possibility of employment in the region. Our case study joins the conclusions of other researchers insofar as requirements of environmental respect were neglected by the two main 'corporate stakeholders' in these negotiations. That question revealed to be one of the central elements of this negotiation since it represented a possible obstacle to re-launch activity.

Key analytical notions: Trust, imperfect knowledge, uncertainty and risk

Trust

Trust constitutes in our case study an essential issue. According to Luhmann (2006), trust 'in a large sense' can be defined as "a fact of relying on someone's expectations" and "constitutes a basic element of the life in society" (Luhmann, 2006: 1). Trust is a fundamental element of modernity.

Trust is intrinsically related to the complexity of life in society. Generally, Ballet and De Bry (2001) note that trust helps reduce uncertainty within organisations (Ballet & De Bry: 266).

In a situation of corporate restructuring, there remains an uncertainty not only about the future but also about the control of information. The situation described in our case study shows a mix of trust and mistrust, and trust is gained incrementally and it takes time. Trust permits to reduce the cost of information research because it limits uncertainty.

Laplante and Harrisson (2008) define trust as: "Subjective probability that an agent positively assesses an action of another agent without any possibility of its assessment in a context where his own action is affected" (Harrisson et Laplante, 1994). Trust also refers to a belief that another agent will not adopt an opportunistic behaviour prejudicial to a mutual relationship pursuit." (2008: 87). Several organisational conditions, according to Laplante and Harrisson (2008: 100-101), facilitate the development of trust relations.

Ballet and De Bry (2001) identify three types of levers can have a positive influence on trust: organisational, personal and relational levers. These authors also highlight three types of effects associated with trust: stewardship effects, loyalty effects, reputation effects. If the stewardship and loyalty effects should not be neglected, the reputation effects are fundamental in our case study.

Our case study shows how the absence of information, from the trade unions point of view, impacts the decline of trust with the European group after the first merger. It seems that in the case of the first merger with the European company, trust between the actors involved in the negotiation of the social plan did not exist or was very low, but it was an essential positive element in the negotiation following the merger with the global group.

Lack of knowledge, uncertainty and risks

In addition to the lack of information, lack of knowledge is also one of the important elements of lack of trust. The latter is linked to human activities and to existence of a certain disinclination associated to these activities. The disinclination implies the existence of capacity of judgement (Rivaud-Danset, 1998: 34-35). Judgement depends on the person who makes decisions, so that an objective description reveals to be very difficult (Rivaud-Danset, 1998: 37). It is very difficult to "lead an intelligent action conform to forecast and intentions". An intelligent action is rare because men are in a hurry 'to do something' and privilege favourable evolutions. An intelligent action implies several processes that are contingent to possible sources of errors (Rivaud-Danset, 1998: 41-42).

A search of compromise could respond to situations of uncertainty. Rules and institutions play an important role when faced with complexity of social systems (Voyé, 1992: 201). Besides, the process of trust elaboration is a response to uncertain situations. However, uncertainty is a fundamental resource of a negotiation and a source of power for those who can control and use it in their transactions. Very often, a compromise can seem 'unreal' but is nevertheless reached. By introducing the concept of 'social transaction', Blanc (1992) underlines the existence of uncertainties that were insufficiently highlighted by the classic approach of the market.

Conclusion: Corporate Social Responsibility, Ethics, Trust and Democracy

Our analysis highlights the importance of trade unions as 'corporate stakeholders' in a situation of social negotiation on restructuring in a steel group. This analysis cannot however ignore the specific context of the situation: informal feature of the negotiation, unpredictability of the result, international competitive context, conflicting issues of the reorganisation. We privileged such concepts as social transaction, trust, ethical questioning and approach in terms of social responsibility to analyse this situation. Modern societies are characterised by uncertainty. Faced with it, social actors can search for trust relationship to find some stability. Communication of information can positively contribute to the construction of a climate of trust in organisation. Besides, the search for innovation and for compromise could reduce some uncertainties.

The processes of interaction and agreement over the restructuring in our case study may be the result of several types of reasoning.

Negotiation spaces may be limited by important constraints but resources could be renewed or created by actors themselves.

We will evoke Széll who explains that the complexity of situations, globalization of stakes, the importance of uncertainties require to review the whole process of decision making, to find compromise, and to imply different actors in the construction of a real economic democracy (Széll, 1992). This democracy can only be constructed through a sum of accumulated and exchanged experiences, experiences similar to these described and analysed in this article, experiences similar to the one described by Széll (1992).

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