

# **Learning by Doing : Stakeholders, Social Reporting and Communication.**

## **The Case of CSR of Total in France**

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### **Introduction**

Social responsibility has been brought back into the limelight following new pressure put on companies by the French law on New Economic Regulations (*loi NRE*), encouraging them to show a positive image. More and more companies dedicate significant resources to showing their commitments, asserting a certain ethical attitude and behaving in a socially responsible way. In this context, several researchers have spent time analyzing large corporations' Sustainable Development Reports (SDR). Amongst the most recent works, some analyze the environmental communication contents of the annual reports of some American corporations (Philippe, 2006), others study societal information disclosed on French logistics service providers' websites (Senkel, 2009) and speeches describing good business practices in terms of CSR (Gond, Igalens, 2008; Béji-Bécheur and Bensebaa, 2009).

SDRs are one of the CSR tools and are often used as an "environmental and social showcase". Indeed, the French law<sup>1</sup> on New Economic Regulations is very broad and not very restrictive, thus allowing corporations to use and interpret them in their strategic interest. In all cases, SDRs are part of a globally-targeted institutional communication logic. Furthermore, corporations are more and more interested in local stakeholders in order to take their requirements into account. This is why corporations wishing to guarantee their legitimacy must provide answers which are part of a territorial logic. The originality of this article is to show how a corporation has created a local SDR to meet local stakeholders'

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<sup>1</sup> The law no. 2001-420 dated 15 May 2001 on new economic regulations was published in the Official Bulletin dated 16 May 2001; the implementation decree no. 2002-803 dated 3 May 2002.

expectations. This desire for legitimacy and proximity seems consistent but sometimes difficult to achieve, and leads us to our problem which is based around the following question: how does a corporation link the three components of a triptych founded on a global SDR, the territory and consultation of stakeholders? Amongst the CSR tools, Total's refinery in Normandy has formulated a local SDR named social and environmental report. Can the adaptation of a global SDR into a local SDR, which reveals a bottom-up tendency to consult stakeholders, provide a different kind of information source? Consulting stakeholders is part of a participative approach which is proof of a group learning process. We are firstly going to consider stakeholder management as the fruit of organizational learning. We will then compare the approach initiated by the Normandy refinery to this theoretical construction by focusing on the produced output, the local SDR.

## **I – THE STAKEHOLDER THEORY AT THE TEST OF LEARNING**

The notion of stakeholders<sup>3</sup> was born out of one of civil society's new ethical requirements, which demands that corporations account for the social and environmental consequences of their activity. Corporations firstly centered their attention on first tier stakeholders, i.e. those without whom they cannot operate or even survive. But, during the last years of the 20<sup>th</sup> century, the notion of stakeholders changed to mean a person or organization with a legitimate interest in a project or an entity. This notion is no longer restricted to distributors, employees, clients (global players); it now includes community members and residents (local players) who are sensitive to the effects on the local economy and its environment. This means that all stakeholders can come together to build a corporation's legitimacy. We will firstly present how to learn to take local stakeholders into account, before wondering about the conditions of this learning process in a systemic view whilst focusing our attention on a specific CSR tool, the SDR.

### ***1. STAKEHOLDERS AND LEARNING***

Corporations, a coalition of stakeholders (Acquier & Aggeri, 2005) with expectations (Freeman, 1984) and diverging influential power (Michell et al., 1997), are greatly dependent and interdependent on other players (Cyert & March, 1970; Crozier & Friedberg, 1977). They can even be considered as being embedded in a social network on which they can rely and in which they actively participate (Piau, 2004). By taking into account the various stakeholders and top management responsibility (Carroll, 1999) as regards the possible damage caused by their activity, corporations make the transition between sustainable development and CSR. The contractual perspective put forward by Friedman (1970) was deemed insufficient by Donaldson & Preston (1995), Carroll (1979),

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<sup>3</sup> Stakeholders are defined as any person, groups of persons or organizations:

- on which the activity of the entity (site, subsidiary) has a potential, direct or indirect, positive or negative impact
- which have a potential, direct or indirect, positive or negative impact on the activity of the entity (site, subsidiary).

This definition is close to that given by Freeman & Reed, 1983.

Capron & Quairel (2001). By taking into account the management of externalities, corporations become part of the environment and their embeddedness leads them to be in contact with both contractual and non contractual stakeholders. This social and economic overlapping (Granovetter, 1973, 1985) places corporations in a relational model which will determine their behavior towards CSR. Corporations willing to take on their responsibility whilst taking into account the various stakeholders must accept that their strategic choices may be questioned even though they remain first tier players. This proactive behavior is part of a systems logic in which learning takes place using feedback. Thro their desire to provide an answer to the integration of the various levels of responsibility, corporations take part in an organizational learning process in which interactions between individuals are multiplied and coordinated (Weick & Roberts, 1993). The beginnings of coordination tend to show that the path is still open to reach the learning objectives according to Koenig (1994). Indeed, learning is a group phenomenon of acquisition and development of skills which modify both the way situations are managed and the situations themselves. Koenig (2006) states that the impact of learning increases with the number and diversity of possible interpretations as it widens the range of possible behavior. This is how the joint will of all stakeholders will change the management of situations of environmental damage, thanks to the acquisition of new skills. The learning “by grafting” concept, developed by Huber in 1991, is particularly relevant in the desire to combine the skills of the various players. There are three main characteristics:

- The source of learning comes from a partnership (in our case, a moral contract with several local stakeholders),
- The learning catalyst is based on the recognition of an organizational difference (for example, in terms of status, funding model or even mode of election when positions are taken up),
- Learning is based on an inter-organizational configuration (corporations, associations, local government, Government departments are all associated with this).

This learning may be envisaged from a systemic angle in which the local stakeholders and corporations will jointly develop a local SDR.

## **2. TOWARDS A SYSTEMS APPROACH OF LOCAL STAKEHOLDER MANAGEMENT**

The first reports on CSR date back to the Eighties (Parker, 1986). After the four phases identified by Igalens (2005), the years 2000 are characterized by a growing standardization of SDR thanks to the GRI (Global Reporting Initiative). The publication of the guidelines for the publication of reports was qualified as “technocratic”, as they were “developed without any democratic control” (Capron, Quairel-Lanoizelée, 2004). We can therefore notice that different methods are chosen by corporations, even those quoted on the stock exchange subject to the French law on New Economic Regulations of 2001. According to the translation by the OCSR<sup>3</sup>, the GRI states that “reporting enables the corporation’s contributions to society, to the environment, the opportunity to

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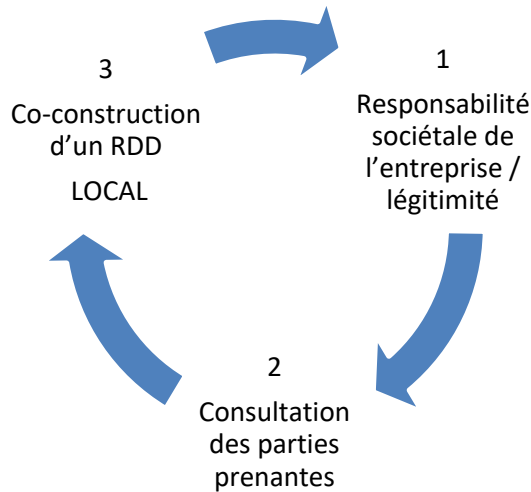
<sup>3</sup> *Observatoire de la Responsabilité Sociétale des Entreprises* (French Corporate Social Responsibility Observatory)

create economic, social and environmental value of its products and service to be highlighted.... so that the organization can keep and consolidate its right to trade". Corporations go as far as showing their legitimacy, particularly to different local stakeholders, in order to show their reason for being and favor their sustainability. This legitimacy increases when corporations meet stakeholders' expectations and report on the ways in which they do so by reporting in the SDR. The legitimacy theory stipulates that there is a "social contract" which obliges corporations to operate in compliance with society's expectations, and to therefore "justify" their actions by "speeches" addressed to the relevant components of this society (Preston & Prost, 1975; Hogner, 1982; Lindblom, 1994). To this effect, corporations maintain their justification thro the development of the SDR communication tool, they leave a lot of room for their speeches and promise the various stakeholders that they are committed to actions conducted or to be pursued.

The desire to report on societal commitment using a local SDR can be considered as a learning process triggered by the corporation with some stakeholders whose representations and mental states differ and can also radically change; this is what the cognitive approach to organizational learning suggests (Argyris & Schön, 1978, 1996). If learning is used as a way of modifying and restructuring action theories, then the systems of rules and beliefs written in the firm's practices are modified. When environmental complexity is added to that, the scope can be widened and the corporation's boundaries extended by consulting several stakeholders. Learning takes place between different kinds of entities with different ways of learning. If the inter-organizational nature is present, we can question the conditions in which this learning took place, do the various stakeholders work towards the same goal? If this is the case, we could think that they all contribute to the production of a new communication medium, for example, namely a local development report. This joint construction, Weick's enactment, is organizational learning, as it calls upon and associates several organizations, and is also individual as each stakeholder learns from its relationship with another entity. Interactions between members are the foundation of the system's existence. New proposals emerge, without each individual stakeholder being able to make them individually. Learning refers to group dynamics, which produce joint rules for action (Midler, 1990); it is not the sum of individual knowledge but the product of their interaction. Senge (1990), a precursor of "systems thinking", recommends thinking of phenomena in their entirety, studying the relations between them and integrating the notion of feedback. Morin (1977, 1990) states that "the simple hierarchy between infra and supra must be abandoned in favor of organizational feedback, where the ultimate product feeds back by transforming what produces it".

Without envisaging competition between the different stakeholders, the diversity of learning objects (what is learnt and the characteristics of what is learnt) makes learning part of a process. We can talk about the following process "CSR/legitimacy – consultation of local stakeholders – joint development of a local SDR" in which corporations seek legitimacy with respect to their territory in the face of concerns raised by sustainable development. The figure below formalizes the learning process mentioned above in a systems perspective.

**Figure 1:** Formalization of the learning process



We want to highlight the corporation's learning process around a management tool. Using the learning concept, we want to find out if the process of joint development of a local SDR has been initiated. The example of the refinery in Normandy will enable us to compare the main theories mentioned above with the reality on the field.

## **II – LEARNING HOW TO LISTEN TO STAKEHOLDERS: THE CASE OF TOTAL – UPPER NORMANDY**

The case study of the Total refinery in Upper Normandy can be used to illustrate the learning process which accompanies the corporation's integration of the local stakeholders' expectations. Total anticipated the obligation of the French law on New Economic Regulations by publishing an SDR as early as 2001. This desire to report was also seen with the wish to communicate locally via the production of a local SDR. We may wonder whether this SDR is not simply the translation of the global SDR at local level. However, large-scale consultation of the local stakeholders can make us think that the Total Group wanted to give the local SDR a different form, to break away from the restrictions related to the production of the global SDR, or even to have a much more refined local focus.

We will demonstrate how the refinery in Normandy has freed itself from the regulatory framework of the global SDR in order to ensure its territorial legitimacy, by initiating a consultation of its local stakeholders with the aim of producing a communication plan.

The methodology we used is based on the following:

- Five individual, semi-structured interviews held between June 2009 and January 2010. They were held on the premises of the refinery in Normandy with the assistant manager of the sustainable development department for the Total Group and two persons in charge of communication/HR on these premises. These persons had been identified as decision-making players in the local SDR formulation

process. Each of these interviews lasted three hours, and their thematic content was analyzed.

- The refinery's internal documents, which we were allowed to use. We used documents which were available on the Internet, such as the Total Group's SDRs, as well as the local SDRs made available to local stakeholders and only available in hard copy. The other data came from reports of seminars written by the persons in charge of communication for the Total Group, on the local management of stakeholders and the SRM+ tool which is used to manage local stakeholders.
- Our investigation refers to an essentially abductive approach. We start with the facts and wish to connect them to theoretical knowledge in order to understand them. We use Koenig's definition of abduction (1987): "Abduction is an operation which does not belong to logic, and is used to escape from the chaotic perception we have of the real world thro speculations about the relationships between different things [...]. Abduction is about making observations about speculations which are then tested and discussed". Abduction is used to build assumptions which are only probabilities or speculations; it is about proposing a rule using case knowledge and consequences. We made use of systems approach theories, learning and stakeholders to conduct this comprehensive approach.

Amongst the communication actions envisaged, the process of local SDR formulation will be examined. We will show how this process of territory management is part of corporation learning.

### *1. IN SEARCH OF LOCAL LEGITIMACY*

The Total Group is established in more than 130 countries, and has shown its will to take on its responsibilities as a major economic player, and ensure that the surrounding communities are able to see the positive impact of this. Local and global acceptability is strengthened (or weakened) by the stakeholders' perception of this territory and the refinery's contribution to its socio-economic development.

In order to obtain the consent of the territories in which it is established, the Group wishes to develop dialog with residents. This desire is strategic as it is a way of obtaining effective permission to operate whilst gaining the trust of the local communities and authorities. Total's representatives play an active part in the authorities provided for in French regulations<sup>4</sup> in order to maintain close relations between the sites and their environment. The Group goes beyond regulatory structures by contributing to the creation of voluntary dialog structures as demonstrated by the *Eco-Maires* association created in 2005<sup>5</sup>.

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<sup>4</sup> Such as the *CLIC* (Local Information and Consultation Committees) set up on all the sites classified as Seveso in France, whose activity is centered on technological safety.

<sup>5</sup> The *Eco-Maires* association groups together 800 French towns concerned by the setting up of industrial sites. For Total, Upper Normandy, it is a question of identifying the information procedures and the threshold beyond which information must be given (scale of severity and emergency). A list of the inhabitants' concerns has been drawn up and several kinds of tools have been tested to appreciate their effectiveness and accuracy (24/7

However, the production of a global SDR cannot be considered as a local dialog tool. The study of SDRs published between 2001 and 2008 show how little attention is paid to local stakeholders. By way of example, the refinery in Normandy, the leading refining cluster in France, subject to the Seveso directive and inspection from the DRIRE<sup>6</sup>, is only mentioned, on average, twice in each SDR for the studied period, despite the fact that it is located in the second largest industrial area in France. The content of the reported information reveals practically nothing but technical, environmental data which is not readily available to the public. If the refinery in Normandy is credible as regards the control of technical and chemical risks, and is greatly involved in the local dialog procedures mentioned above, it must face up to its bad public image. Indeed, there are still concerns over the chronic risks in terms of public health or odor nuisance, for example.

In order to improve the societal acceptability of its sites, projects or subsidiaries, the Group developed a management tool called SRM+ (Stakeholder Relationship Management) in 2005. Indeed, up until then, there had been no global approach to the relationships between a site/subsidiary and its stakeholders. Societal actions were handled in a reactive, or even intuitive, way, and more often than not by the Site Director. Since 2005, this tool has been deployed to more than 95 sites in 36 countries.

The global aim of the SRM+ methodology is to compare the view of the site's teams with the perception of external stakeholders in order to define plans of action. The main objectives are to bring the societal approach of a particular site or subsidiary into line with stakeholders' expectations, and to initiate dynamics of all top management around the societal stakes. SRM+ uses the metaphor of the funnel to show how convergence and optimality between the internal and external views of the stakes and societal priorities are sought. We will present this tool in the following section.

## **2. A PROCESS CONSISTING IN CONSULTING STAKEHOLDERS**

A panel of sixty<sup>8</sup> stakeholders was created, divided into 4 categories: "business", "authorities"<sup>9</sup>, "civil society"<sup>10</sup>, "internal"<sup>11</sup>. A person from outside conducted

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hotline, telephone warning system, variable message signs, the local government's website, etc.)

<sup>6</sup> The *DREAL* (French Regional Agency for the Environment, Development and Housing) has superseded the *DIREN* (French Regional Environmental Agency), the *DRE* (French Regional Development Agency) and the *DRIRE* (French Regional Agency for Industry, Research and Environment) since the decree published on 28 February 2009: the sole regional pilot of sustainable development policies.

<sup>7</sup> In reference to Customer Relationship Management.

<sup>8</sup> Out of 220 identified local stakeholders

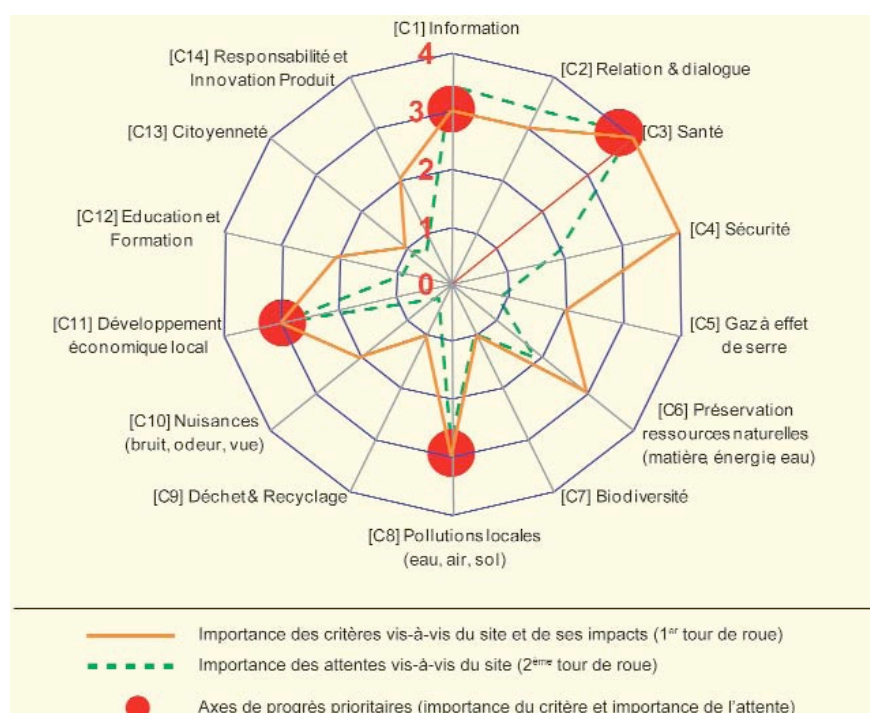
<sup>9</sup> Clients and product users, suppliers, service providers, industrial neighbors, financial & industrial partners, professional organizations, competitors, other group entities, union organizations, external R&D

<sup>10</sup> Elected officials, administrations in charge of the environment, social/health administrations, local safety (e.g. fire brigade), other (customary and moral), educational system, hospitals and doctors

<sup>11</sup> Owners of land or other assets, users of land, rivers, etc., residents / local communities, associations and NGOs, opinion leaders, the media, general public

interviews lasting an average of 2 hours. The societal baseline is made up of fourteen criteria, formed around 3 themes: governance<sup>13</sup> (2 criteria), HSE<sup>14</sup> (7 criteria) and society<sup>15</sup> (5 criteria). For each of these criteria, the stakeholder being interviewed was asked open and/or closed questions enabling the importance of the subject for him/her, his/her satisfaction and expectations to be assessed. He/she then had to give a mark between 1 and 4 depending on the importance of the subject (1 corresponds to very low importance, 4 to a very important stake) and the level of satisfaction in terms of his/her expectations (1 corresponds to a high level of satisfaction, 4 to an extremely low level of satisfaction). The wheel diagram below is used to show the levels of satisfaction – dissatisfaction expressed by all local stakeholders consulted at aggregate level.

**Figure 2: SRM+ diagram**



Source: Total Refinery in-house document

So, once the interviews had been summarized, it appeared that the health criterion was very important for all the local stakeholders consulted (solid line) and that Total's solutions to this remain very unsatisfactory (broken line), hence the point of intersection (in the form of a circle) which alerts them to the priority actions. On the other hand, safety is also considered as very important but as

<sup>13</sup> Corporate employees, Medical Center, Unions

<sup>14</sup> Information, relations and dialog

<sup>15</sup> Health, safety, greenhouse gases, preservation of natural resources, biodiversity, waste and recycling, local pollution

<sup>16</sup> Nuisance, local economic development, education and training, citizenship, responsibility and product innovation



Total's solutions to this are deemed rather satisfactory, no particular attention has been paid to this criterion.

The local stakeholder interviewed was able to express the actions he/she would like implemented with respect to the expectations that he/she had noted. At the end of the consultation, the steering committee in charge of the project collated the criteria of the societal baseline in the form of themes. As the site had promised the local stakeholders that it would not disclose the gathered information, table 1 only illustrates some of the expressed expectations. Total then separated the expectations into 2 groups – one for the expectations to be addressed by the site and the other for those concerning the entire industrial area in Le Havre. Table 1 reports the stakeholders' expectations identified during the consultation; it gives the six themes chosen by Total and some examples of mentioned expectations.

*Table 1: Favored themes amongst the expectations of the stakeholders of the refinery in Normandy*

<b>Levels of action</b>	<b>Themes</b>	<b>Examples of local stakeholders' expectations</b>
<b>Expectations concerning the industrial area</b>	<b>Health (of local population)</b>	Better knowledge of the impacts of the industrial area on health, based on impact studies Voluntary initiatives taken by industrialists with respect to local health
	<b>Image and attractiveness of the industrial area</b>	Visual impact of the industrial area of Le Havre Quality of air / odors
	<b>Support to local economic fabric and local employment</b>	Industrialists requested to combine their efforts to give information about their contribution to local development in a more positive way
<b>Expectations concerning Total</b>	<b>Communication, information and dialog</b>	More information validated by third parties on the impacts on health, safety and nuisances More meetings with residents
	<b>Hygiene, safety, environment</b>	Authorities think that there is too much subcontracting More recognition of subcontractors
	<b>Support of local initiatives</b>	Opening up to local offers

Amongst the local stakeholders' expectations in terms of communication by Total, requests for more information validated by third parties were made in terms of the impact on health, safety and nuisance, and more meetings with residents. Total initiated a local SDR in 2008, followed by another one in 2009, in order to better inform stakeholders of the refinery's activities. We will analyze the process which led to the production of this local SDR.

### 3. *THE LOCAL SDR: FROM EXPECTED JOINT DEVELOPMENT TO SIMPLE PRODUCTION*

The local SDRs published<sup>6</sup> in 2008 and 2009 each have about forty pages. Their structure is the same as that adopted in the global SDR (an editorial by the director, a presentation of the Total Group, safety, health, environment, human resources and local development); the establishment of the site in Normandy is an addition.

Just after the end of the consultation of stakeholders in January 2008, work on producing the first local SDR started, and was finalized during the month of June. At the same time, the steering committee continued its deliberation on the actions to be conducted for stakeholders' benefit. This is why the local SDR was produced by Total's in-house communication department only.

The refinery organized an official ceremony during which this first local SDR was delivered to the stakeholders. All the persons having participated in the consultation received an invitation for July 3<sup>rd</sup> 2008 to exchange about the findings of the consultation and key stakes retained. Hardly anybody attended this meeting (around 12 of the 60 local stakeholders consulted and invited were present); we can therefore deduce that the stakeholders voted without thinking (Hirschman's exit). Total had really initiated a process of creating a relationship with local stakeholders thro these consultations (60 persons representative of all local stakeholders consulted); however, this loyal behavior, as defined by Hirschman, was not enough to entail the continuation of exchanges with all the local stakeholders.

In 2009, the second local SDR was published in exactly the same form. The main local stakeholder mentioned in these local SDRs is the personnel (the term "employee" is used 46 times in 2008 in the local SDR of the refinery in Normandy). This confirms the fact that the local SDR is an internal communication tool.

It is right to say that the site's communication department had to face two stakes: improve communication with its local stakeholders and involve the site's employees in a societal approach. Indeed, as underlined by someone in charge of communication of another refinery, in an internal document: "Consultation is a reciprocal exercise which includes sharing knowledge and upgrading. This enables a common base to be created, which is essential if you wish to go farther, towards more tangible things". The dominant culture of a refinery such as the one in Normandy is technical. A participative approach like SRM+ was therefore not self-evident in an environment made up mainly of operators and engineers. It is also interesting to note that the term "employee" was not only used for Total personnel, but also for "employees from outside corporations". It is true to say that nearly half of the persons working for Total come from outside. Terms such as "business associates or employees from outside corporations" or "colleagues from outside corporations" translate the organizational reality of the supply chain. These persons obviously have no legal connection with Total; there is no reporting line in the legal sense, but this sense appears in Total's network operation. Within the supply chain, the question of the chain's (or network's) backbone can be transposed to CSR. The question of distributed control of the

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<sup>6</sup> Only in hard copy, the refinery's website is under construction and should make the local SDR tool available.

chains of players remains. By favoring the personnel, Total neglected the other local stakeholders.

The content of these two local SDRs were not assessed afterwards, either by the employees or the local stakeholders.

The process followed by the corporation is not part of a systems approach:

- The local SDR was created by the corporation, on the basis of the consultation of the local stakeholders without involving them in its formulation.
- The low attendance at the meeting to exchange with the local stakeholders shows that the process is incomplete.
- There was no feedback in the sense that the published documents were not assessed.

The communication department's desire to start thinking about the local SDR shows the beginnings of a learning process (Fillol, 2007). The emergence of the learning organization appears to be an undetermined, non linear process, created by the players, facilitated by management tools. The refinery initiated the consultation of local stakeholders which was at the origin of the creation of tools, especially the local SDR. It is now a question of continuing this process by associating the local stakeholders with it. Deliberation about the form of such collaboration is under way; one of the chosen ideas is organizational feedback. It must now be made really operational and shared.

We can sense disappointment as regards how the process was managed. The initiator seems to be the only body to have started the learning process. The solitude of the refinery at this stage may be explained by the fact that the process was taken in hand in a very directive way and that the chosen actions (called axes of improvement) were not discussed. We can understand Total's independence in this type of decision making but it might be interesting for Total to try and measure the local stakeholders' perception of the impact of the actions undertaken. Furthermore, this learning process assumes that all the local stakeholders are players. Those associations for the defense of rights which were consulted must be involved not only at the dialog stage but also in the decision making if they are really to be part of the learning process. This involvement is a more sensitive question, and requires thorough learning of the global analysis.

## **Conclusion**

The aim of this article was to report on corporation practice in terms of CSR in a territorial logic. Despite the fact that a lot of research now attempts to analyze the societal information disclosed by corporations about their institutional sites, hardly any is interested in local stakeholder management. The case study of Total in Upper Normandy enabled us to show that the exercise of CSR follows a learning process but is not part of a systems approach. The communications department has planned to involve local stakeholders in the formulation of the next local SDR. It will then be possible to check whether the organizational feedback requested is actually included.

The subject of this research project, the local SDR, was one of the expectations expressed by the local stakeholders in terms of communication. It would be interesting to be able to analyze the initiated process for other expectations which have given rise to concrete action by the corporation.

The concept of CSR still remains difficult to model (Mullenbach-Servayre, 2007), but the stakeholder theory makes it more operational as it becomes possible for the corporation to put “faces and names” (Carroll, 1991) to the societal requirements to be met. The territorial governance initiatives are thus less based on counter trading and the formulation of substantial standards and more based on the coordination of multiple group interventions oriented towards the definition and creation of a “shared territorial asset” (Dupuis, 2008). Being able to “map” one’s stakeholders is not necessarily a sign of having the ability – or the desire – to meet all their expectations. This must not make us lose sight of the fact that the stakeholder theory remains a management tool with the ultimate aim of making a corporation legitimate.