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**Firm-level Sustainable Forest
Management Responses to
Environmental Pressures
in British Columbia
and the US Pacific Northwest**

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**Firm-level Sustainable Forest Management Responses to Environmental Pressures
in British Columbia and the US Pacific Northwest**

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Firm-level Sustainable Forest Management Responses to Environmental Pressures in British Columbia and the US Pacific Northwest¹

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In the last ten years, escalating eco-forest politics have made the world a confusing and complicated place for forest companies operating in British Columbia and the US Pacific Northwest. The domestic regulatory climate has become uncertain; international rules and institutions have placed special attention on forestry issues; and domestic and international environmental groups have targeted individual firms with boycott campaigns.

This paper explores the ways in which three large forest companies operating in this region have responded to these external demands for sustainable forest management. We review the cases of Weyerhaeuser USA's operations in the US Pacific Northwest²; and Canfor and MacMillan Bloedel operations in British Columbia. These companies all faced pressure from external interests in the last 10 years, but each responded in different ways. Weyerhaeuser USA responded relatively quickly to external pressures, proactively setting up citizen advisory councils in an effort to take advantage of corporate social capital. British Columbia's Canfor corporation initially defied external pressures, but eventually undertook proactive measures, changing their internal environmental policies in an effort to address environmental concerns. BC's MacMillan Bloedel took an outwardly dismissive approach to external pressures – a tactic it steadfastly maintained until it reached a crisis situation in the summer of 1993, after which time it explored new ways to pacify and even acquiesce to these pressures. Five years later in 1998 the company changed its fundamental approach to environmental issues, announcing that it would end the practice of clear cut logging in old growth forests and that it would seek green labeling status for its forest products.

Three central themes are explored in this paper. First, we seek to uncover the conditions under which change in environmental responses of firms may occur. Second, we are interested in distinguishing differences in firm responses that are based on coercion, from those that are based on normative value changes within the organization. Recent scholarship argues that those companies that undergo value changes have a greater likelihood of leading the way with innovation and proactive measures (Vertinsky and Zietsma, 1998). Third, and related, we seek to examine the extent to which a firm's change in response to external pressures coincides with changes in its concept of "sustainability".

This paper also adds a new dimension to social scientists' exploration of the way eco-forest politics have influenced public forest policy³, by considering the role individual forest firms play and their strategic responses to moves by other stakeholders.⁴ Firm-level analysis is important to the understanding of sustainable forestry for two reasons. First, individual firms' activities are the ultimate target of these social pressures, even when social pressures target the state for regulatory and policy change. This means that relationship between public policies and firm-level policy choices is crucial to understanding whether public policies have achieved the goals for which they were intended. Second, environmental groups are increasingly bypassing the state by directly targeting firms individually through negative boycott campaigns and positive voluntary certification schemes (Bernstein and Cashore, 1999a; Bernstein and Cashore, Forthcoming).

The chapter has three parts. First, it outlines a heuristic framework with which to categorize firm response to external demands and a firm's conception of sustainability. Second, it presents an overview of international forestry issues that may impact corporate choices. Third it provides three case-studies in an effort to explain corporate responses. Fourth, it assesses the

policy implications of these case studies for issues of sustainable forest management and environmental protection.

Categorizing Corporate Responses

Corporate responses to external pressures can be placed in three broad categories: fending off external demands; acquiescing to them; or proactively going beyond external demands.⁵ DiMaggio and Powell identified three ways in which a firm acquiesces to external pressures (1991), through processes they label “isomorphism”. *Coercive isomorphism* refers to changes that result from a firm being forced to change practices, even if against its own wishes. This is often caused by regulatory requirements, or when environmental groups and/or the media successfully challenge corporate legitimacy. *Mimetic isomorphism* occurs when firms see other firms making changes that appear to be successfully addressing an uncertain climate. *Normative isomorphism* represents those cases when a firm’s internal values change as a result of external pressure (DiMaggio and Powell, 1991: 67). Oliver (1991) has noted that firms that want to fend off external pressures may choose a variety of tactics, including compromising, avoiding, defying or manipulating.⁶ To complete this continuum of action, a new category can be added where firms might voluntarily “over comply”, where green values become so ingrained that the company is more advanced than societal pressure, leading the way with innovation and proaction (Figure 1 Zietsma and Vertisky 1999). In the cases below we also note that a company’s responses may vary depending on the source of pressure. For example, a firm may fend off government pressure, while acquiescing to environmental groups.

Conceptions of Sustainability

Ever since the Buntland Commission (World Commission on Environment and Development, 1987) introduced a vague but generally appealing definition of sustainability

compatible with economic growth and a liberal global trading regime⁷, the concept has been heavily promoted and studied by various groups in civil society and through scholarly activity.⁸ Within the context of forestry, sustainability is used in two ways. A limited use refers to the ability of foresters to sustain timber production, whose principles were derived from the German School of forestry (Johnson, 1993). Under this definition, the key element is the ability to sustain a certain level of harvest in “perpetuity”. This concept gained strength among US foresters in the early 20th Century following growing concerns about destructive “cut and run” harvesting practices. British Columbia officially adopted such a definition of forestry in the 1940s.

However, in the last decade a different conception of sustainability has evolved to include not just timber production, but the biological diversity of the forest ecosystem (Noss, 1989). Uncertain and incomplete information regarding forest biodiversity renders elusive a precise understanding of what should be done for this version of sustainability. Differences over what outputs/values should be treated as “residuals” (Wright, 1995) helps to distinguish the two concepts. Those who support the former conception of sustainability tend to view biodiversity as something to be protected once harvesting goals are taken into account; while the inverse is the case for those who subscribe to the more holistic view. In this case it is harvesting that is treated as a residual, to be permitted only once the integrity of the forest ecosystem and biodiversity are maintained. The residual concept allows us to place responses of each company on a sustainability continuum.

Vos (1997) highlights another important characterization of sustainability by focusing on different normative frameworks. For achieving sustainability, he notes that those operating under a free market environmentalism framework, for example, will limit their solutions to market-oriented mechanisms, and believe that sustainability issues are best addressed through economic

growth and technological innovations. Those operating under an “ecological-science” framework see the world more holistically, see increased (economic and population) growth as fundamental environmental problems, and have a broader range of policy tools at their disposal.⁹ This distinction is important for a paper on corporate environmentalism as it forces us to address the issue as to whether or not corporate solutions are influenced/constrained by a free market environmentalism ethos.

International Context

The last 15 years has witnessed increases in the related phenomena of “globalization” and “internationalization” (see Bernstein and Cashore, 1999b). The former refers to market integration, while the latter is about the way in which international rules, institutions and non-governmental organizations influence domestic policy making. Both phenomenon have affected corporate decision making processes in BC and the US PNW, to varying degrees. We briefly outline these developments, and then trace their impacts on corporate responses in the region.

Globalization has increased in a number of fronts. Increased market integration, corporate mergers, and the development of non-North American competitors have affected the types of choices North American forest product firms have made in the last ten years. In general, firms have felt pressures to diversify beyond North America (especially in order to compete with low cost producers in Brazil and other countries) and to engage in product differentiation strategies, some of which include efforts to distinguish their environmental performance from other companies.

At the same time internationalization has increased dramatically. International activity is exemplified by the UN Rio earth summit, which was the focal point for intense international activity (this was preceded by international attention on the tropical timber trade). Owing to

North-South divisions efforts to achieve a global forest convention failed. Instead a “Non-legally binding authoritative statement of principles for global consensus on the management, conservation and sustainable development of all types of forests,” known as the “forest principles” was agreed upon (International Development Research Centre, 1993). Bernstein and Cashore note that while the earth summit failed to arrive at an agreed upon set of binding international rules it did serve as a germinating point for the concepts of biodiversity and ecosystem management, whose norms found their way into the political discourse in BC and the PNW.

Moreover, the failure to thus far arrive at an international forestry agreement has led groups to focus on voluntary certification efforts which would bypass this logjam (Bernstein, 1998b), and provide an important context to the stories below. International environmental groups took a dual track approach: to continue the traditional but decidedly negative boycott efforts to force companies to change forest practices and/or purchasing habits by leading consumers away from their products; but also to launch a proactive certification scheme with the ultimate goal of leading consumers toward purchasing wood products harvested in an environmentally-friendly manner.

This proactive process occurred mostly through the Forest Stewardship Council (FSC), formed in a meeting in Toronto in 1993, and headquartered in Oaxaca, Mexico (Hansen, 1998: 19). Spearheaded by the World Wide Fund for Nature (WWF), FSC accredits organizations that certify sustainable forest management. Accredited certifiers must perform evaluations to see if a company’s forest operation match 10 established principles and criteria (ibid). In theory, the established principles are to guide “standards development processes in countries or regions around the world” (ibid: 19). Industry supported certification programs also developed in Canada

and the US, under the Canadian Standards Association and the US American Forest and Paper Association's Sustainable Forestry Initiative (SFI) respectively. We trace these developments in our discussion below.

WEYERHAEUSER, USA

Weyerhaeuser is a North American forest products firm that manages 5.3 million acres (2.1 hectares) of its own privately owned forestland in the United States and an additional 22.9 million acres (9.3 million hectares) of public forestland in Canada through long-term tenure arrangements (Weyerhaeuser USA, 1997: 27). Its divisions include Timberlands with 2,600 employees; wood products with 14,200 employees; Pulp, Paper and Packaging and Recycling with 18, 200 employees; as well as real estate and mortgage divisions (Weyerhaeuser USA, 1997: 28)

Unlike most forest companies that “cut and ran” after harvesting forestland in the early 1900s, Weyerhaeuser held on to its forestlands, believing that active management might lead to profitable forestry on these lands. Such a decision ran against the prevailing wisdom of the time that tax policy and slow natural regeneration made second growth harvesting uneconomical (Day, Hart, and Milstein, 1998). The company began this experiment first by seeding, followed by planting and intensive forest management (The company created the first private tree farm in the United States 1941). Building on these principles, a model of High Yield Forestry (HYF) began to be practiced on Weyerhaeuser lands in the 1960s (Day, Hart, and Milstein, 1998). Here, Weyerhaeuser was adopting the first concept of sustainability outlined above - practicing a sustained timber yield forestry that relied on science for management and intensive forestry techniques. However, it was this decision to keep its forestland that allowed Weyerhaeuser to

expand its concept of forestry decades later, and to adapt relatively quickly to environmental issues.

It was during the 1960s, 1970s and 1980s that environmental forestry concerns in the United States were addressed through an array of legislative initiatives (Cashore, 1997; Cashore, 1999). However, most of these increasing statutory requirements and rules were geared toward public forestlands.¹⁰ It was on national forests that environmental/industry conflicts were felt the strongest. Companies with private forestland felt relatively shielded from this type of pressure, and tended to ignore these developments (Day, Hart, and Milstein, 1998: 16-6). Rules governing private forestry at the state level were written to allow managerial flexibility, with little opportunities for regulation (Cashore, 1999; Salazar, 1989). Even federal statutes such as the Endangered Species Act (ESA) applied quite differently on public and private lands. Public land managers are required to provide a program for species recovery, while private land owners' actions must not result in a "taking" of an endangered species. Moreover private forestland owners have the flexibility of developing a "habitat conservation plan" (HCP), that would replace the requirements of the ESA.

However, public attention slowly began to focus on private forestland as well, with an increasing awareness of the effects of private forestry on fish and wildlife populations and water quality. The public and the environmental groups were also concerned about the effects of the much less strict regulations governing private forestland¹¹ compared with those affecting public forests. Consequently, Weyerhaeuser soon came under public and environmental group pressure itself. Its initial response was to "fend off" such pressures by arguing that it already practiced responsible and sustainable forestry, and could point to its record as the first US forest products company to develop an environmental policy in 1971 (Weyerhaeuser USA, 1995: 7).

Weyerhaeuser attempted to pacify these pressures by emphasizing its forest regeneration programs, and used its scientific data to deflect criticisms that it was not an environmental forest steward. However, these initial reactions failed to convince the public and environmental groups. As the decade of the 1980s drew to a close, analysts argued that Weyerhaeuser's image was seen as reflecting "the industry's lowest common denominator" (Day, Hart, and Milstein, 1998: 16-6)

In 1989 Weyerhaeuser hired a new CEO, John Creighton, Jr. whose job was to turn around poor financial performance. Creighton, in turn, linked financial performance to regaining "public trust" that he felt that company had lost. In this regard, Creighton embarked in a number of environmental initiatives. He established an Environmental Council in 1991 of key Weyerhaeuser officials to facilitate the development of an "environmental policy" (Weyerhaeuser USA, 1995). In the Northwest, Creighton initiated a series of preliminary meeting with interested stakeholders in 1994 (Weyerhaeuser USA, 1995: 23). The new CEO soon learned that the company was not acting as a steward of the resource "in the eyes of the people" (Day, Hart, and Milstein, 1998: *ibid*) and that the public viewed both public and private forests as providing key social and environmental values. As Day et al. note, "Weyerhaeuser's attempts to justify its practices through mounds of data had failed to address fundamental public fears over the health and future of forests and ecosystems" (Day, Hart, and Milstein, 1998: 16-6). And Weyerhaeuser's 1994 Annual Environmental Performance report stated, "We learned that the public wants us to look at the whole forest, including non-timber resources. People want us to leave buffers around streams and more standing trees for wildlife habitat".

The result, as Day et al., describe, was that Weyerhaeuser's conception of sustainable forestry moved away from one focused exclusively on timber sustainability, to one in which a variety of resources were accommodated. HYF evolved into a processes called "Weyerhaeuser

Forestry”. Weyerhaeuser responded to external pressures with this new conception of sustainability, incorporating them into operational decision processes through the creation of regional Forest Councils, as well as through the use of town hall meetings in Weyerhaeuser communities.

A consequence of this new innovative approach was the development of a “stewardship statement” and a number of strategies aimed to guide the company in implementing its “more holistic model of sustainable forestry” (Day, Hart, and Milstein, 1998). The stewardship statements include commitments to water quality, fish and wildlife habitat, soil productivity, biodiversity, and aesthetic, cultural and historical values. The Weyerhaeuser Foundation also oriented many of its grants to improving environmental stewardship and conservation projects (Weyerhaeuser USA, 1995: 24) It proactively sought out partnerships with environmental and other non-governmental interests, which included its participation in the creation of new wildlife refuges (ibid).

In the mid-late 1990s, Weyerhaeuser took on a more proactive role in the protection of endangered species through the development of Habitat Conservation Plans and watershed analyses (Day, Hart, and Milstein, 1998). Day et al. (ibid: 16-7) argue that the flexibility provided by the ESA for species protection allowed Weyerhaeuser to become proactive, as well as minimize the economic consequences of a strict application of the law:

Weyerhaeuser Forestry was put to the test in 1989 when the Spotted Owl was listed as a threatened Species in the Pacific Northwest. The management plan proposed by the Federal Fish and Wildlife Service, would have defined a “no cut” zone 1.2 miles in radius around each identified Spotted Owl nest. Through its HCP approach, however, Weyerhaeuser was able to demonstrate a more effective conservation plan for the Owl which also allowed more flexible use of its forestlands opening up timber assets that had previously been defined as off limits under the “owl circle” management plan.

Weyerhaeuser also actively supported the American Forest and Paper Association's Sustainable Forestry Initiative (SFI), the forest certification program launched by the US industry, which is geared toward continual improvement, and environmental processes (Weyerhaeuser USA, 1997: 10). In accordance with SFI principles, Weyerhaeuser initiated internal audits.

On the pulp mill side of operations CEO Creighton announced plans in 1995 that would see the company overcomply with EPA pollution controls (Business Week, 1995). It similarly took advantage of an EPA program to allow regulatory flexibility when performs above regulatory requirements (Environmental Solutions, 1997). This did not mean however that Weyerhaeuser was able to eradicate all cases of non-compliance but it did succeed in reducing these rates (Lambert, 1996). Indeed, the company noted in 1995 that it "must improve its environmental compliance performance" (Weyerhaeuser USA, 1995: 22).

By the end of the 1990s Weyerhaeuser had clearly embarked on anew approach to forestry management and public input compared with its approach just a decade earlier. Timber production was still paramount, but the company had now moved to include goals to "protect maintain or enhance other important environmental values (Weyerhaeuser Timberlands USA, 1997).

Weyerhaeuser was not immune to globalization forces and the apparent need to develop forest operations in a wide array of forest types and legal/regulatory settings. In recent years, Weyerhaeuser has sold or closed some of its Pacific Northwest operations (Batsell, 1998; New York Times, 1995; Wall Street Journal, 1998), while increasing assets in the US South (Wall Street Journal, 1995b), where most states do not have forest practices acts, and for the first time

moving outside of North American to New Zealand (Brown, 1997; Hall, 1997; Wall Street Journal, 1995a), where plantation forestry dominates.

Taken as a whole, Weyerhaeuser's approach to external interests has taken an innovative and proactive approach in the Pacific Northwest, in the context of running a profit maximizing company that must address a wide range of domestic and global factors. It also simultaneously sought to diversify geographically seeking sources of fiber that involve fewer environmental demands because the nature of the forests (plantations) and the lax regulatory regimes to which they were subjected. Unlike the experience of MacMillan Bloedel below, Weyerhaeuser was quick to see the potential benefits of being green as a competitive advantage, an area it continues to explore (Day, Hart, and Milstein, 1998: 16-12).

Canfor

Canfor corporation is a British Columbia-based forest products company specializing in pulp and paper and wood products. It owns 100 percent of Canadian Forest Products Ltd (which produces pup and kraft paper, lumber, hardboard and fibre) and 50% of How Sound Pulp and Paper Limited (pulp and newsprint) (Canfor Corporation, 1998: 5). It employs 4,300 persons in its forest products operations and about 1,300 more in its affiliates. It harvests timber from publicly owned forestlands through timber license agreements, which give the company forest management responsibilities, in exchange for a secure supply of fibre. When the company was first the target of external demands to improve its sustainable forestry management in 1985, forest companies in the province operated under a non-legalistic regulatory regime where agency officials enjoyed a great deal of discretion in interpreting, administering and enforcing regulations (Cashore, 1997; Wilson, 1990). In 1985 Canfor felt external pressure exclusively from "civil society" stakeholders, as organized environmental interests and citizen groups

targeted Canfor for logging in old growth forests and for its pulp mills' air pollution (Raizada, 1998: 163)

The company's initial response was to avoid and defy these social pressures. Canfor avoided the issues by arguing that old growth protection would have serious, negative consequences on the provincial forest economy. As well, Canfor sought to defy the criticism by asserting that its harvesting methods were environmentally sustainable.¹² Meanwhile, Canfor used its close relationship with state officials to avoid meeting pollution level targets by proposing management plans that allowed high sulfur pollution levels to continue (ibid: 164). The non-legal/discretionary regulatory style characterizing Canada posed little threat that the courts would require Canfor to meet these targets (see Hoberg, 1993).

In 1987, Canfor's Howe Sound pulp mill air pollution came under increased attention from media outlets, organized environmental groups, and local citizens, who jointly argued that Canfor should at least meet its permit requirements (Raizada, 1998: 165).¹³ Despite the increased attention, Canfor still attempted to defy external pressures by adding "manipulation" strategies to its previous defiance and avoidance techniques, holding a series of public meetings for the express purpose of resisting these pressures. However, this time, these "negative" responses did not reduce public pressure, and the company began to lose public credibility. Government officials were compelled to respond, and environmental groups threatened to launch an international boycott campaign, which raised the probability that the firm's profits would be affected, if "economic" stakeholders became involved (Raizada, 1998).

With the threat of increased public pressure and the entry of economic stakeholders that might affect the firm profits, Canfor began to alter its approach by taking proactive measures in response to social pressures. The company stopped defending its level of pulp mill pollution, and

announced that it would build an environmentally friendly, modern pulp mill. Here, the firm turned to the promise of technological innovation to address its environmental problems, in line with the free market environmentalism ethos noted above. It was also able to move quickly owing to a cooperative team-oriented organizational structure that facilitated the relatively quick implementation of senior management decisions (Raizada, 1998). CEO Peter Bentley promised that the project would enable canfor to deal completely with the environmental problems that we have been working on for a long time” (ibid). Canfor’s Vice Chairman acknowledged the role of external pressure in forcing this change:

...some of the publicity on [Canfor’s] Howe Sound [pulp mill] has not been entirely positive. It is very tempting to blame certain groups or the media for this kind of publicity, but instead we have been carrying out our improvement program there and making information about progress available to the public and the employees as we go along...(ibid.)

These firm-level changes in strategic responses appeared to reduce the threat at this point to changes in the discretionary regulatory regime, by making a choice that was both environmentally and economically sound.

However, the complicated world of eco-forestry politics would show that Canfor’s experience with external pressure had only just begun. Just as Canfor “successfully” addressed air pollution concerns from external pressures, its pulp mill water pollution became a provincial, national, and international issue.¹⁴ Canfor was singled-out by environmental groups when, in November 1988, dioxins discovered in the shellfish near Canfor’s Howe Sound mill led to the closure of the shellfish industry in the area. Canfor’s close relationship with provincial regulatory agencies was again showing signs of stress and a series of new regulations and fines governing pulp mill pollution were announced.¹⁵ Revisions were made to the Federal Pulp and Paper Effluent Regulations as new international boycott campaigns were plotted.

Canfor responded to these pressures in April of 1989 with innovative measures, creating a new position of Vice President, in charge of environment and energy, and introducing its new, wide-ranging environmental policy.¹⁶ This move from defiance and manipulation to innovation and proaction happened as a complete change in the regulatory regime appeared imminent. The firm was spurred by the fear that environmental groups might succeed in forcing purchasers of its products to look elsewhere, and by the desire to maintain the existing non-discretionary regulatory style. This strategy appeared successful in the short term, as the existing regulatory style remained in tact.

Canfor faced yet increased uncertainty and possible regulatory change with the election of the social democratic New Democratic Party (NDP) in 1991. The NDP ushered in an array of new consensus-oriented participatory institutions in which, in many forestry issues, forestry organizations were now but one player among a wide range of societal and economic stakeholders (Cashore, 1997). Canfor was now forced to share influence in the policy-making process with environmental groups and other social actors (Cashore, 1997; Wilson, 1998).¹⁷ The regulatory style became increasingly complex, although considerable discretion remained, with limited opportunities for environmental groups to litigate.

The new government quickly moved to revise pulp mill pollution regulations. Environment Minister John Cashore announced that the government would introduce strict regulations to reduce pulp mill effluent.¹⁸ The federal government was also considering its own pulp mill regulations. Canfor seized on this overlapping of provincial/federal jurisdiction to argue that British Columbia should cede authority to the federal government, which was considering less stringent regulations. At this juncture, Canfor sought to compromise with British Columbia government officials, but appeared to move back from its proactive response. It did

not argue against environmental regulations per se, but pointed out the fact that the proposed provincial AOX regulations would *not* improve the environment:

The provincial requirement to completely eliminate AOX discharge in mill effluent by December 31, 2002...[will cause] ...very substantial expenditures which cannot be justified on environmental grounds (Canfor Corporation, 1992). Canfor was now taking a role of compromiser, hoping to minimize pressure from government officials - far from the proactive stance it took previously. This change in stance from proactive under a minimal and discretionary regulatory regime to a compromising stance under a more strict and complex regime raises questions about the conditions under firms are likely to be proactive – a point we will return to following the case studies.

However, as Canfor sought to compromise with the BC government on its pulp mill regulations, a new European environmental campaign began to increase the awareness of the presence of dioxins and furans in Canadian pulp and paper products. Greenpeace Germany garnered support from leading German publishers to demand alternatives to chlorine bleached pulp (Globe and Mail, July 9, 1993: 3). Now, Canfor faced a situation in which government, social and some economic actors were all pressuring not only Canfor, but the entire BC industry for change. As world opposition to chlorine bleached pulp grew, international attention expanded to include forest practices and old growth preservation (Cashore, 1997)¹⁹. Canfor faced pressure on a number of fronts: pulp mill pollution, the new government's promise of a Forest Practice Code, and old growth wilderness protection issues. Canfor did not fight either the Code, or increased wilderness preservation (contrary to its initial mid-1980s stance). Instead, the firm bargained by advocating the type of Code it would like and participated in land-use processes with other organized interests, including environmental groups.

And apparently owing to the wide range of scrutiny from a multitude of external pressures, Canfor took a series of decisions ranging from normative “green” value changes to

proaction and innovation. For example, the company announced that it would “lead the way” in investing in alternative bleaching processes for the express purpose of meeting “the rapidly expanding demand in Europe for pulps bleached without the use of elemental chlorine or any chlorine compounds”.²⁰ A similar approach was also taken regarding sustainable logging practices, which were now dominating domestic and international attention (and which focused largely on MacMillan Bloedel). To pacify and address the concerns of their customers in Europe, Canfor held information sessions and explained changes they made (Raizada, 1998: 191). In response to the impending BC Forest Practices Code, Canfor developed its own “Forest Practices Compliance Policy” (Raizada, 1998: 205). It now operates a “Forest Practices Performance Review Program” in which audits are undertaken for “compliance with government legislation, Canfor’s Forest Stewardship Policy, forest industry standards and generally accepted good forestry practices” (Canfor Corporation, 1998: 9)

Similarly, Canfor took a strong interest in sustainable forestry certification efforts. Like the case of Weyerhaeuser above, Canfor’s concept of sustainable forestry had now moved toward the more holistic definition, although harvesting remained the dominant concern. Indeed, its efforts to use the Forest Practices Code as a marketing tool and its move toward green labelling made its policy options consistent with the free market environmentalism ethos.

Canfor’s responses also illustrate how a firm may respond to external pressures on the same issue at the same time in different ways. While Canfor took innovative responses to environmental group and economic pressures, it compromised with the BC government by showing regulators that firms can proactively address environmental protection issues without increasing the regulatory burden.

Canfor was also relatively quick to move its operations toward becoming certified under the Canadian Standards Association's (CS) Sustainable Forest Management Standard. The firm noted in early 1988 that it plans on applying for certification in Prince George Timber Supply Area "as soon as the CSA registration process is fully in place and Canfor has completed the required public involvement process" (Canfor Corporation, 1998: 9). Canfor sought to adopt initiatives that while addressing profit maximizing objectives can also increase its legitimacy. Certification was such an initiative. The company noted:

Certification will...help address market concerns expressed...by pulp and paper customers in Europe who are under pressure to ensure their suppliers are managing their forests responsibly. Within Canfor's broad, domestic community, certification should also further strengthen public confidence in Canfor's forest stewardship (Canfor Corporation, 1998: 9).

Supporting private forest certification helped maintain Canfor as an environmentally proactive company, while allowing it to focus its critics on private firm level initiatives, rather than on the more unstable and uncertain public policy regulations. For example, in the spring of 1998 Canfor successfully lobbied for reducing the Forest Practices Code procedural rules, and for reductions in stumpage fees in 1998 (Hunter and Hogben, 1998)

MACMILLAN BLOEDEL

MacMillan Bloedel is Canada's largest forest products company²¹ with integrated forest operations in the US, Canada and Mexico. The company also has marketing facilities in North America, Japan and a number of joint venture interests in North America. MB has three core business segments: Building Materials, Paper and Packaging. It manages 2 million hectares of productive timberlands which supply most of its fibre requirements and half of which are located in BC. In BC, most of this land is through area based Timber Farm Licences, but it also has significant holdings of private forestland in the province. Thirty-eight percent of MB's forestland is second growth, a high share compared to most forest companies. This gives MB relatively

more flexibility in addressing old-growth issues.²² It has recently acquired a plant in Mexico, and has a long record of foreign direct investment in Brazil, Australia, Holland and the United Kingdom.

MB's hierarchical internal organizational structure encourages employee competition, discouraging somewhat a co-operative team oriented approach that Canfor and Weyerhaeuser established. Unlike Canfor and Weyerhaeuser, family generational links are explicitly forbidden.²³ MB had a proportionately higher number of top managers, with over 30 executives holding the title of VP, Senior VP, or Executive VP in 1995 (as opposed to 15 for Canfor). Partly as a consequence of its bureaucratic structure MB historically tended to take a legalist, rule following approach to its operations (Zimmerman 1997: 65).

Like Weyerhaeuser, MB embraced the timber-oriented definition of sustainability relatively early. In 1938 MB became the first BC company to reforest on a planned basis using scientifically-based timber management practices. In 1961 MB started a more comprehensive forest management program designed to ensure the security of its future wood supply. This program evolved in 1979 into the Designed Forest System: a series of silvicultural treatments applied to individual stands of trees at various stages of development to optimize their growth. Attention to improved silviculture/sustainability is constant, and in 1985 new methods were developed for comparing the value of different silvicultural treatments to ensure that the most beneficial ones were given priority.

MB and External Pressures for Change

MB's experience with environmental groups pressure dates back to the 1970s. During this time and into the 1980s the concern was primarily with preservation of old growth forests. One of the first key conflict areas to enter into the public and media attention was a dispute

between environmentalists and aboriginal bands over MB plans to log old growth forests on Meares Island, in Clayoquot Sound and South Moresby in the Queen Charlotte Islands.²⁴ MB responded by attempting to avoid these pressures. It withdrew from a Meares Island planning team in 1983, arguing that the company's goals were being ignored. MB then relied on its close relationship with the Social Credit government, which subsequently ignored the planning team's recommendations for protection. However environmental and aboriginal groups sustained pressure through civil disobedience and through the courts, having an impact on MB's operations. The courts eventually issued an injunction in March of 1985 against logging Meares Island until aboriginal land claims were resolved.

In the fall of 1985, MB logging operations in South Moresby came under sustained protest as well, from environmental groups and aboriginal groups. Despite this scrutiny, MB did little to address the environmental concerns regarding forestry practices. Its annual report focused on economically viable timber, asserting that planned reforestation backed by scientific research would do an adequate job of renewing the forests. MB's concept of sustainability remained one of timber production, which influenced the way in which it addressed these pressures. For example, MB warned that protection of areas such as Meares and South Moresby would jeopardize thousands of jobs.

At this juncture MB maintained that its forest practices were sound, but acknowledge it was doing a poor job of communicating its position. In 1987 its Annual Review stated:

MB is very aware that a balance must be sought between its ability to compete effectively with the world's largest forest corporations and its responsibilities to its many stakeholders—shareholders, employees, customers, suppliers, governments, and members of the public"... It is not enough that the Company believes itself to be acting in the best interests of its stakeholders—that must also be the perception.

Since MB's actions at this point were focused on perception rather than substance, it developed a public involvement strategy that was mostly directed toward an intensive communications and advertising program to tell the people of BC that it was "a responsible guardian of the forests it manages" (Raizada, 1998). It maintained an approach that was outwardly dismissive of environmental group pressures. In August 1988, for example, MB's assistant Chief Forester stated that BC's environmentalists had, "A simple and unfinishable agenda that would see all resource industries brought to a standstill... believe me there's no end to it." In 1990 CEO Ray Smith explained the implication to MB of this multiplicity of interest groups:

The diversity of single issue causes virtually ensures there can be no solution...This group is worried about the aesthetic values of the forest. That group is worried about the microorganism substrata in the soil... There's an almost limitless meridian of different single causes most of which don't agree with each other, so to try to bring all this together and to try to find a middle ground is very difficult, if not impossible.

MB maintained its dismissive approach through the late 1980s, as scrutiny over old growth issues, forest management practices, and pulp mill pollution increased domestically and internationally. Indeed, national attention increased so dramatically on South Moresby that a deal was brokered in which a national park would be created, and MB would receive compensation.

By the late 1980s multiple conflicts were breaking out. The use of chlorine in pulp production was gaining international attention, largely through the efforts of Greenpeace.²⁵ 1988 the MB's plans to log the Carmanah Valley came under attack by environmental groups to which MB responded fighting these pressures, by (unsuccessfully) seeking a court injunction to halt environmental groups from building trails in the area slated for logging.

The BC government attempted to diffuse pressure over the Carmanah valley by dividing it in two, and permitting logging only in the upper half. The decision enraged environmental

groups, and the Nuu-Chah-Nulth Tribal Council threatened the BC government with court action. The Carmanah decision had also attracted the attention of a European environmental group which had previously organized a boycott of tropical hardwoods by European municipal governments. With much of the world watching, scrutiny began to coalesce around the entire region of Clayoquot Sound, a pristine area of old-growth forest on South West Vancouver. At this time MB decided it would need an environmental policy to help address all the environmentally related threats it was facing. It decided that the Environmental Services department would be given control over the new policy. However, this department which was primarily focused on technical issues concerning pollution control was isolated from actions of interest groups and had little understanding of woodlands/forestland use issues. It had therefore few capabilities to develop policies for addressing social stakeholder issues.²⁶ As the 1980s drew to a close, MB's dominant approach remained one of fending off or pacifying social pressures, believing that it could continue to rely on the provincial government to reduce these pressures.²⁷

The election of the NDP in British Columbia in 1991 marked the beginning of a new area of environmental forestry regulatory change, and a loosening of close government/forest industry ties and increasing international scrutiny.²⁸ Reflecting government policy, MB's timber supply was reduced to reflect ecological concerns,²⁹ and an 18 month moratorium on several of MB timber harvesting areas was announced pending the outcome of as new land use protected area initiatives that promised future withdrawals of the commercial land base. Now, a multitude of MB forest management areas came under scrutiny, including the Walbran Valley (Wilson, 1998).

On the pulp side, the spring and summer of 1991 saw a Greenpeace campaign in Europe aimed at convincing pulp buyers to use chlorine-free pulp. In January 1992, BC Environment

Minister John Cashore announced that BC's environmental laws would be completely overhauled and replaced with extensive public consultation. New provincial pulp mill regulations to eliminate AOX in pulp mill effluent to no detectable amounts by 2002 were also announced. Federal regulations called for the reduction of dioxins and furans to non-measurable levels (actually a specific, but very low level) by January 1, 1994, and extensive EEM monitoring on a three-year cycle. By 1992 MB acquiesced on pulp issues, investing capital in pollution control equipment to comply with regulations (though it was publicly critical of many of these new regulations).³⁰

Amidst all these changes, Clayoquot became a lightning rod for international and domestic groups criticizing BC forest practices. After intensive cabinet debate, in April 1993 the provincial government announced that it would allow logging on two thirds of Clayoquot Sound, and remove one third of it from commercial harvesting. MB supported the decision, though it noted the high price it paid: the loss of some \$40 million worth of finished products every year and 300 direct jobs. Environmental groups in general were outraged by the decision. The response by various environmental groups was to threaten blockades and civil disobedience. Some environmental leaders vowed to launch a major international campaign aimed at pressuring the provincial government to reconsider their decision. The media also speculated that the Cabinet decision had revived the possibility of a European boycott of BC forest products. Environmental activists led by Greenpeace held around-the-world demonstrations to protest logging in Clayoquot Sound. The local group, Friends of Clayoquot Sound launched a three-month campaign of civil disobedience that would result in 1000 protesters being arrested and 800 charged with criminal contempt.

MB's response to the blockades was initially to proceed as it had in the past, adopting a public communications effort, attempting to consistently exercise its harvesting rights, taking legal actions against individuals and groups³¹, and lending assistance to allies in the community.

However, new quasi-governmental institutions with no history of close industry government collaboration made this traditional response more difficult. In particular, CORE in its advisory capacity analyzed the land use decision and proposed the idea of a scientific panel to the government, which accepted this suggestion. In October 1993, the provincial government named its appointments to the Scientific Panel for Sustainable Forest Practices in Clayoquot Sound. Panel membership included biologists trained in ecosystem management, including the architect of ecosystem management on US federal lands in the PNW, whose management plans there had significantly reduced harvesting rates on those lands (Cashore, 1999).

Meanwhile a new Forest Practices Code was initiated as Greenpeace kicked off a world-wide campaign to convince MB customers in Europe and the US to refuse to buy wood products originating from Clayoquot Sound. While the BC government used the code to say things had changed (Bernstein and Cashore, 1999a; Cashore, 1997), MB still took a "fending off" approach. As one official stated:

Over four years we'll have spent in excess of \$300 million. That's about 8% of our asset base with no economic return to the company. We also have to pay the interest and added operating costs so its very expensive. The new BC regulations will increase that amount even further. Future approaches to environmental spending need to establish priorities intelligently.³²

Premier Harcourt even criticized MB for not being proactive enough in defending themselves against the boycotts, and MB quickly responded by sending a team of its experts over to Europe. Indeed MB would spend about \$1 million a year during this period on public relations efforts. Yet these efforts did not derail the Greenpeace campaign, which met with considerable

success. In December 1993, Greenpeace Germany had convinced four of Germany's largest publishers to halt pulp and paper purchases from BC suppliers as soon as it was commercially feasible. In March 1994, the U.K.-based subsidiary of Scott Paper cancelled all contracts for pulp from forest companies operating in Clayoquot Sound after being pressured by Greenpeace.³³ In August 1994, the boycott campaign was extended to the US when Greenpeace sent letters to scores of US publishers and other buyers of pulp and paper produced in BC, particularly by MB (Stanbury and Vertinsky, 1995: 87).

MB appeared to have been caught off guard with respect to the Greenpeace campaign in Europe and did not have a proactive strategy in place. Now economic stakeholders were pressuring MB. Dennis Fitzgerald of MB's public relations department described the response of MB customers who had been targeted by environmental groups:

Customers want to know, 'What the hell is going on? Why are people writing me these letters? Why are people picketing me outside my door, what is the whole list of charges Greenpeace is throwing at me, and most of all, what are you guys doing to solve it? How are you going to make it go away?'

He observed that at the time there were no corporate answers. "We were outmatched, there's no doubt about it." These events marked the first indication of a shift in MB's approach, moving slightly away from "fending off" strategies in the direction of compromise strategies. MB responded internally in a hesitant fashion, but one which revealed it was beginning to look for new ways out of this crisis. It appointed a VP Environmental Affairs almost as an ad hoc measure, and began to publish an Annual Environmental Report. The VP Environmental Affairs at MB has described her job as "unique":

I do environmental affairs and it is a very unique position. You will not find another position like this in the forest industry here. I think that's probably a good thing for the other incumbents. Maybe my title isn't correct, I don't know. Mine is a policy position so I am dealing with the company's broadly based policies on environmental performance and specific environmental issues... My function has been very unique within it [MB]. I

often describe my function as a corporate boutique function. It is not a line function to the extent that I don't have all these people working underneath me and reporting upwards or anything like that. It is a policy function. It is a little bit of a think-tank function. It is maybe an activist function.

Importantly, MB also began to find ways of compromising with environmental groups. MB and Greenpeace held secret meetings for the first time but in October 1994.³⁴ No agreement was reached but the meetings were an indication that MB was considering a different kind of approach.

In 1995 Greenpeace renewed its campaign against MB taking its anti-clearcutting message to a San Francisco convention of Yellow Pages publishers. Its strategy now was to target the entire BC coastal rainforest. It claimed that Clayoquot Sound was still being clearcut though regulations had suggested an end to "clearcutting as we know it." In May 1995 a coalition of environmental groups tabled a resolution at the AGM of Pacific Telesis, (parent company of Pacific Bell) to end directory paper purchase from MB.³⁵

The Greenpeace campaign was ongoing when the Scientific Panel reported, offering 127 recommendations based on implementing ecosystem management and extensive community involvement, including the use of historical aboriginal harvesting techniques. The provincial government responded by accepting all of the panel's recommendations. MB had clearly lost the ability to rely on government to act in its interests, as the Scientific Panel recommendations would significantly reduce logging in the sound. When this became apparent, the management of the divisions in Clayoquot Sound were pulled out of MB's regular operating structure. An internal management board was created and chaired by the VP Environmental Affairs to oversee the operations there.³⁶ In January 1997 MB announced that it would downsize its Clayoquot Sound operations.³⁷ The VP Environmental Affairs announced that "MB does not believe its

present operating structure in Clayoquot Sound works anymore.” MB proposed shutting down all logging operations until sometime in 1998, stating that it wanted a clear end to uncertainty and a formal economic transition process for the local communities. Most environmental groups reacted favourably to the news of this announcement, as now MB was on the defensive, looking for ways to find a compromise that might allow some degree of harvesting in the future.³⁸ Clayoquot was a watershed for the company in the way in dealt with environmental and aboriginal groups, who used be treated only as adversaries. Reflecting on these developments in 1997, the VP Environmental Affairs said that the events at Clayoquot Sound were:

...a wake-up call... It has had a seminal impact on the company’s way of thinking. We’ve learned the hard way that the technical, scientific, factual and economic answers don’t represent the full equation anymore. There are social, political, and even philosophical and psychological dimensions to these issues...the campaigns are mythic and emotional and in a male-dominated, technical-based company, people just didn’t know how to deal with that...³⁹

The new way of thinking paved the way for MB’s announcement in April 1997 that it would enter into a joint venture with Aboriginal groups in Clayoquot Sound.⁴⁰ VP Environmental Affairs Linda Coady said the joint venture was “an attempt to come to grips with some of these environmental and social issues in a way that also makes business sense.” The agreement was seen as a first step by MB in converting all its Clayoquot Sound cutting rights to the joint venture. For the first time in years, MB’s May 1997 AGM was remarkable for the absence of vocal protests from environmentalists.⁴¹

These changes at MB can be largely attributed to its experiencing a crisis on several fronts. Environmental group actions precipitated a public relations crisis for the company, with respect to the general public, and its customers. At the same time MB was experiencing major

problems with its institutional shareholders who were so critical of its financial performance, which eventually resulted in sweeping restructuring of MB operations.⁴²

MB's approach toward environmental and aboriginal groups had changed significantly from the early 1980s, as negotiations, discussions, and even joint ventures were deemed appropriate tools with which to address external pressures. Conceptions of sustainability were broadening, as the corporation recognized the need, at least in Clayoquot Sound, to accommodate a variety of interests and values in its forest operations. This approach paved the way for the next dramatic shift MB was to take, though few had predicted the outcome.⁴³

No Clear Cutting Old Growth Forests

By June of 1998 MB announced that it would phase out clearcutting on old-growth forests.⁴⁴ Environmental pressures had ceased to be viewed as a constraint, but an opportunity to be exploited on the market. The company announced that it would begin to seek forest certification (green labelling) for its forests, in order to gain "social capital" and avoid the pressures from Europe that it had fought so persistently in the early to mid-1990s (Canadian Press, 1999).⁴⁵ MB also withdrew from the provincial industry's Forest Alliance, arguing that it had no interest in defending traditional harvesting methods (Hamilton, 1998). Far from fighting environmental groups or even acquiescing, MB was now taking a proactive response to environmental pressures. Now, it was the BC government urging caution, expressing concern regarding timber supply and forest employment.

The turn-around in responses from one of the most intransigent companies to one of the most proactive can be traced to the new approach the company had begun to take in Clayoquot Sound, and the hiring of a new CEO, Tom Stephens, whose cost cutting reputation was to consider as wide a range of responses as possible. When he first arrived it was unclear whether the VP Environment position would even be kept. But after a comprehensive review of company

operations, Stephens became convinced that increasing the company's "social capital" could also help its bottom line.⁴⁶ The solution to improving social capital was an agreement with Greenpeace that it would stop its boycott campaign, and in return MB would promise to phase out clear cut logging on its old growth forests, and to introduce no harvesting and low harvesting impact zones (MacMillian Bloedel Ltd., 1998a).⁴⁷ An implementation advisory committee would be constituted including experts nominated by environmental and aboriginal groups.

When the announcement was made the unthinkable happened as Greenpeace officials gave Tom Stephens a bottle of champagne, congratulating him on the reversal of policy (Hogben and Press, 1998). Greenpeace was still acting as a profit-maximizing firm, but now the ecological issues were seen as an opportunity rather than a constraint. As Stephens explained to shareholders at MB's 1999 Annual General Meeting:

...we want to move from reactive to proactive and be the creator and driver of trends so that MB is the winner. This calls for leadership and being a *trend setter* not just a *trend follower*. (Stephens, 1999)

The incentive to change came from a combination of boycott pressures, but also the growth of forest certification schemes internationally and domestically (Bernstein and Cashore, Forthcoming). MB's conception of sustainability had moved closer toward the more holistic orientation.

This did not mean that MB would end scrutiny or hostility with environmental groups. The MB approach has received criticism for being similar to the "high grading" harvesting method environmental groups were critical of just a decade before. MB also came under fire from BC environmental groups in April of 1999 for a deal with the provincial government that would transfer ownership of some of its government owned timber licence areas to the company, in exchange for MB dropping its litigation demands that it be compensated for the provincial government's forest preservation initiatives. Environmental groups were particularly concerned

because transferring land to MB would remove the land from the scrutiny of the environmental provisions of the new Forest Practices Code (Armstrong, 1999).

At the same time, MB has been diversifying beyond British Columbia and selling off many of its assets in the province (Gibbon, 1999). Indeed, MB returned to the black in the first quarter of 1999, largely as a result of profits from its private forests, which were not subject to its new clearcutting rules (Hunter, 1999). In addition, MB continues to be critical of governmental environmental forest policies. CEO Stevens stated that it will not start investing more in BC until the province gives in more on regulations, arguing in April of 1999 that “logging on Crown land under today’s rules is just not something we are willing to invest money in because the risk and the reward are out of balance”.

Policy Lessons from the Case-studies

The preceding case studies have reviewed the way in which three forest companies operating in the US Pacific Northwest and British Columbia responded to an array of environmental pressures, most of which escalated in the late 1980s and continued to varying degrees, especially where the company’s initial responses to such pressures were negative and hostile.

What do these cases tell us about the ability of governments to rely on corporations to implement sustainability initiatives? What does the review tell us about the role of environmental groups, governmental policy, and a company’s place in the global economy in influencing firm level responses to corporate pressures for sustainable forest management. The following propositions summarize the main conclusions we can draw from the case studies:

- 1) When an issue becomes highly publicized, companies will act for fear of losing “social capital”**

In each of the cases above, forest companies eventually responded to pressures when they were losing favor with public opinion and when the lack of corporate response had led the issue at hand to enter what Cobb and Elder (1972) label the “systemic” (societal) policy agenda. While social capital is hard to measure economically, the uncertainty associated with its loss appears to be something industry officials wish to avoid. At the same time that the desire for social capital is, by itself, not sufficient to trigger change in corporate responses to external pressures.

2) Environmental group pressures are most effective when accompanied by economic pressures for change

In all of the three cases above, company officials decided to either acquiesce or take proactive responses when they believed that not doing so would hurt corporate bottom lines. In none of the cases did any of the firms act simply owing to normative value changes.

3) Firm-level changes are limited to “free market environmentalism”

From the three cases below it appears that profit maximizing firms will only find solutions to environmental pressures that will also allow them to develop (at least potentially) new markets or ultimately improve their bottom line. This statement may seem rather obvious given that the firms operating within the constraints and incentives of a capitalist economy, but acknowledging leads to the recognition that environmental choices are limit to the logic of capitalism and economic growth. If capitalism itself and economic growth are deemed to be themselves unsustainable paradigms, it is highly unlikely we would find a solution at the firm level, as it is in the firm’s interest to maintain the capitalist environment in which it operates.⁴⁸

4) Limited and discretionary regulations allow for innovation, but also encourage non-compliance

All three firms undertook proactive or acquiescent responses to environmental pressure while promoting limited regulations. Indeed, many of Weyerhaeuser’s responses were facilitated by a

regulatory regime that allowed it to “escape” requirements of the Endangered Species Act if it could come up with an “equivalent” but less burdensome alternative. Canfor and MacMillan Bloedel both supported the idea of a Forest Practices Code, but were critical of its complicated and onerous regulatory requirements (though many of the Codes rules were discretionary). The evidence here supports Vertinsky and Zietsma’s (1998) claim that “greening” and “innovation” tend to occur when firms are not burdened with difficult and bureaucratic regulatory requirements⁴⁹.

Somewhat paradoxically, however, a limited regulatory regime has also been shown to encourage non-compliance. There is some evidence that a non-legal/discretionary regulatory style along side a clientele-pluralist network governance system results in poor compliance with existing state regulations (Environment Canada, 1998; Tripp, Nixon, and Dunlop, 1992). At the same time other studies have found that the highest form of corporate compliance is achieved with a strict non-discretionary legal regime. For instance, Jennings and Zandbergen (1995) have found that “firms will acquiesce when institutional pressures are in the form of legal coercion”. The lessons for regulators appears to be that a limited regulatory regime facilitates both proaction and non-compliance, while a stronger non-discretionary regulatory regime promotes acquiescence.⁵⁰

5) A firm’s conception of sustainability affects its choices in responding to external pressures

All three firms responded to environmental pressures by acquiescing or taking proactive measures once their definition of sustainability had moved from being timber focused toward a more holistic conception. Indeed, MB’s decision to react negatively to such pressures for such a sustained period appears related to the underlying understanding of forest sustainability, and its steadfast belief that it was practicing scientifically sound sustainable forestry. Weyerhaeuser and

Canfor also had similar initial responses, though their conceptions of the term changed far more quickly than MB's.

6) A firm's organizational structure matters.

In our three cases, those with team oriented less hierarchical organizational structures were the quickest to adapt to new pressures, while MB's hierarchical competitive atmosphere revealed a slow capacity to adapt. Indeed, it was not until MB changed its organizational structure (by adding on a VP Environment position outside of the hierarchical structure) was MB able to adapt more easily and consider innovative responses.

7) A new CEO makes a difference

New CEOs can be the source of new ideas and change. Weyerhaeuser changed its response quickly after it hired a new CEO in the late 1980s and MB's significant turnaround was preceded by a new CEO. At the same time CEOs are constrained by past activity and the institutional environment in which they operate.

8) Land Ownership is important

Weyerhaeuser's choice to keep its forestland in the early 1900s facilitated its stewardship approach, first in adopting timber-sustainability and later in expanding this definition toward the more holistic conception. Private forestland ownership may encourage the first view of forest sustainable management while public land ownership may encourage the second view⁵¹

Conclusion

The paper started by identifying two concepts of forest sustainable management. While no company rejects a timber sustainability approach or embraced completely a more holistic concept, a decision to undertake innovative or proactive responses to external pressures was preceded by a move away from the predominance of a timber-sustainability concept. The case

studies revealed that a host of new pressures have entered forestry decision-making, including pressures from environmental groups, the effects of economic globalization, boycott threats by customers, and international scrutiny. These pressures affect firms in different ways and mold their relationships and responses to government regulations. Understanding these relationships is key to the design of effective regulatory strategies. Furthermore, as governments are increasingly under stress to reduce their scope while at the same time increase environmental protection, it seems important to examine the ways in which corporate “greening” might develop without direct government interactions. Voluntary autonomous firm level sustainable initiatives are clearly not a panacea for environmental protection⁵², but they are an important piece of the puzzle for those who wish to understand how a sustainable economy might be achieved, and the opportunities and obstacles that will be encountered.

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²Weyerhaeuser has significant holding in Canada, but this analysis focuses primarily on its US operations.

³See (Bernstein and Cashore, 1999b; Cashore, 1995a; Cashore, 1995b; Cashore, 1995c; Cashore, 1997; Cashore, 1999; Hoberg, 1993; Hoberg, 1996a; Hoberg, 1996b; Hoberg and Morawski, 1996; Lertzman, Wilson, and Raynor, 1996a; Lertzman, Wilson, and Raynor, 1996b; Wilson, 1998; Yaffee, 1994)

⁴Notable exceptions include (Cashore and Vertinsky, 1998; Day, Hart, and Milstein, 1998)

⁵This chapter is mostly concerned with understanding corporate responses to external forest management and as such, focuses less directly on environmental impact per se. Strategic responses are an important first step in understanding this dynamic, and it is to this area that this chapter seeks to contribute.

⁶Oliver also offers a range of tactics a company may choose under each strategy that it adopts. Manipulation strategies involve tactics to co-opt, influence or control external pressures; defiance involves dismissing, challenging, or attacking; avoidance results in concealing, buffering, or escaping; compromise involves balancing, pacifying or bargaining; while acquiescent strategies entail habit, imitation or compliance tactics.

⁷Bernstein (1998a).

⁸The Commission defined sustainability as "meeting the needs of the present generation without compromising the needs of future generations".

⁹For a recent examination of population growth and forestry issues, see Gerstad and South, *Journal of Forestry*

¹⁰For example, although the Endangered Species Act (bring in from other paper)

¹¹See Salazar (1988) and Durbin and Koberstein (1990)

¹²Raizada (1998: 163) notes that Canfor argued that it had a long-established commitment to reforestation and wildlife conservation.

¹³The Vancouver Sun reported during this time that the company had never been charged with its failure to comply with the original 1978 BC waste management permit for the mill, despite consistently exceeding agreed upon levels (Vancouver Sun, December 14, 1987).

¹⁴Both Greenpeace and the US Environmental Protection Agency released data in 1987 showing that pulp mill effluent contained traces of dioxin, a toxic organochlorine (Raizada, 1998). Canfor's pulp mill operations were now part of a general province-wide anti-effluent campaign which included Greenpeace Canada, the BC-based Sierra Club, the West Coast Environmental Law Association and the Western Canada Wilderness Committee, which were part of a larger international effort by Greenpeace and the World Wildlife Fund in Europe (Raizada, 1998: 167; Stanbury, 1993). The campaign was boosted by a 1988 study showing that most pulp and paper mills in BC were not in compliance with 1971 federal Pulp and Paper Effluent Regulations.

¹⁵In May 1989 the provincial Ministry of the Environment (MOE) announced new regulations to control the discharge of organochlorines. Regulations governing the use of BOD and TSS in pulp mill effluent was tightened,

requiring all mills to have a system of secondary treatment. Moreover, MOE began to flex its regulatory muscle, increasing fines for violations of the *Waste Management Act*.

¹⁶The Environment and Energy department was to perform environmental audits of all the company's operations to determine how well the operations were complying with regulatory requirements, and corporate standards and policies (Raizada, 1998: 178). Canfor also set the goal to reduce wood waste at its forestry operations by 50 percent. Canfor promoted its new positions and environmental policy, arguing that it had again made changes in response to the public. It also sought to accommodate Greenpeace through meetings and seminars (Raizada, 1998: 179)

¹⁷The BC New Democratic Party was elected government in October 1991.

¹⁸The regulations would focus on organochlorines in pulp mill effluent (measured through AOX).

¹⁹International attention culminated at the 1992 Earth Summit in Rio de Janeiro, which also helped pave the way for the creation of forestry certification schemes such as the Forest Stewardship Council (Bernstein and Cashore, Forthcoming).

²⁰Quoted in Raizada (1998: 188) The Howe Sound mill became the first kraft mill in North America to complete successfully a full-scale mill trial of completely chlorine-free bleached softwood kraft market pulp (*ibid*).

²¹In terms of sales and market capitalization

²²MB's Annual Report for 1985 included a section on reforestation entitled: The British Columbia Forest: A Renewable Resource. Approximately 58% of MB's forestland was classified as old growth mature timber, 39% was young forest, with 3% classified as Not Satisfactorily Restocked (NSR) land.

²³Drushka (1995) has detailed the influence of the autocratic nature of H.R. MacMillan on the company he founded. MacMillan instituted a system of competition along with the rule that sons and sons-in-law of senior managers and executives could not be employed by the company.

²⁴Also criticized was MB's clearcutting method of harvesting of these forests, though preservation rather than sustainable forestry practices was the clear focus of these campaigns. Somewhat ironically was a secondary complaint about the practice of "highgrading", in which MB would log only trees that provided the most value, while leaving behind lesser value timber. As we will see later, MB would successfully alter the debate from old-growth preservation to the elimination of clearcutting on old-growth forests - moving toward another form of selective logging.

²⁵ By November 1988, the federal government closed three shellfish harvesting areas adjacent to coastal pulp mills in BC due to high dioxin levels, thus bringing more public attention to the pollution problems created by MB's pulp mills. In May 1989, the provincial MOE announced a schedule of controls on chlorinated organic compounds discharged from pulp mills. In July of the same year MB was informed of the plan to establish mill-specific regulations for its Alberni mills. MB's reaction to the new regulations was to fight them aggressively, arguing that they would probably be forced to vacate this operation "this added uncertainty makes it likely that the kraft pulp mill will be close prior to the proposed regulations becoming effective on January 1, 1992." But this time the government was not siding with MB: The BC Environment Minister said that if MB was hinting that it wanted special treatment to save jobs, the company should forget it. "I think there may be some pressure put on me by pulp mill owners to relax certain environmental standards and I'm not going to do it. They will meet the standard like any other mill or be shut down."

²⁶The environmental policy focused on four areas: compliance with laws and regulations; minimizing the risk of hazardous events; a commitment to undertake regular auditing; and ensuring that managers and supervisors comply with the policy. As early as 1989, MB's own Public Affairs Group had developed an action plan that called for sweeping changes in MB's forest practices at an annual cost of \$50 million. The plan was rejected by MB's senior management on the grounds that it did not make a strong enough case that the changes would not necessarily benefit the environment or give MB any competitive advantage.

²⁷The 1989 annual report stated that "It is believed that the Government recognizes the importance of a secure resource base to the Company's ability to raise funds to invest in the very capital intensive pulp and paper sector of the Province's forest industry. The Company believes that despite all the activity calculated to limit the industry in BC, the economic importance of forestry to the province will be recognized and loss of Company cutting rights will be modest and largely compensable."

²⁸Almost half the promises in the party's 54 point platform dealt with natural resources and/or environmental issues. A key one was the promise to double the area devoted to parks or ecological reserves to 12% (the figure called for in the Brundtland Report) of the province's land base by the year 2000.

²⁹In January 1992, the Chief Forester scaled back cutting rights in Southern Vancouver Island on three TFLs including MB's, as part of the ongoing provincial Timber Supply Review (a process to re-evaluate the sustainability of AACs).

³⁰However, pulp issues again became a concern after a chlorine dioxide spill at its Powell River mill in 1994. MB was potentially facing fines of more than \$1 million resulting from charges laid in connection with the hazardous chemical spill at its Powell River mill. The Board, largely stimulated by its own increased personal liability for environmental disasters responded by directing the Environmental Services department to develop a Corporate Chemical Process Safety System Management Standard (completed by 1996).

³¹MB announced during the blockades that it would sue Greenpeace for damages.

³²Most of the money spent by MB went into pollution control for mills, and not to forestry operations

³³MB sold about 3% of its market pulp to Scott Ltd.

³⁴The dialogue was initiated by the Nuu-Chah-Nulth chiefs who had signed an interim measures agreement with the provincial government giving them a voice in the use of resources at Clayoquot Sound. MB was also said to have been under pressure from its customers to talk to Greenpeace. The meetings broke off after Greenpeace blockaded GTE Directories, an MB customer in Los Angeles.

³⁵This was the climax of an escalating eco-campaign in California against PacBell which buys up to 35% of its directory paper from MB. Greenpeace said MB had been singled out because it continued to clearcut in Clayoquot Sound. Representatives of the federal Canadian and provincial BC governments, MB and the Forest Alliance went to San Francisco to deal with customer concerns.

³⁶The management structure that already existed there was left in place and it still reported up through the normal woodlands structure. A dual line of authority was created, the second one going up to the Environmental Affairs department

³⁷MB's Manager of Environmental Communications announced that MB had no plans to leave Clayoquot Sound but there was no point in continuing operations on the same footing as 1996 when MB lost \$7 million on Clayoquot Sound operations, even though it was eligible for \$3.2 million from FRBC to help cover the cost of meeting the recommendations. "In 1996 we were lurching from little opening to little opening. We lost a bundle of money out there. It only harvested 52,000 cubic meters of a planned 100,000." However he also said, "The long term picture may be much more optimistic than the short term picture. Right now we've got a short term position we have to deal with. We can't pretend we have enough work for those 77 people."

³⁸Greenpeace, RAN and FOCS all adopted a wait and watch stand and the temporary cessation of actions against the company. Greenpeace said it was counting on Clayoquot Sound being declared a UN biosphere reserve which would free up federal dollars in assisting loggers to make the transition to other work.

³⁹An MB manager commented how some initiatives such as the publication of an annual environmental report had been instrumental in bringing people together from different parts of the organization in order to discuss environmental issues and public perceptions of MB's responsiveness to environmental issues.

⁴⁰The aboriginal groups would own 51% of the venture under the auspices of the Ma'Mook Development Corp. MB would turn control of the northern half of the forests of Clayoquot Sound over to the venture. MB said it was a way to confront and heal past conflict in the region.

⁴¹Even more surprisingly, MB announced in April 1997 that it had entered into a joint venture with the Nuu-Chah-Nulth tribes to harvest 40,000 cubic metres a year of lumber from Clayoquot Sound starting in two years. The agreement ended a year of negotiation between the natives and MB. Environmental groups, though somewhat surprised, endorsed the venture. Greenpeace said they had "trust in the First Nations vision" and WCW said it represented a "step toward sustainable management of the area." Both groups announced that they would not "twist the tail" of MB at its 1997 AGM.

⁴²Its expensive corporate office was downsized and separate business units were set up to run its paper operations and its building materials divisions from its research facility in Burnaby. MB sold its shipping division and announced that it would trim the ranks of its vice presidents.

⁴³This shift, while important, should not be overstated. As a profit maximizing corporation MB had serious concerns about its ability to continue to operate in the province. During this time CEO Robert Findlay argued that "MB's days of growth in BC are over...There are no longer opportunities for MB to grow in BC. Our AAC is receding so if we are going to grow as a company, we are going to grow somewhere else.

⁴⁴ See Hunter (1998), Hamilton (1998), MacMillian Bloedel Ltd. (1998a; 1998b)

⁴⁵ On April 14, 1999 the company announced that its North Island Woodlands division on Vancouver Island "had passed an independent audit on the way to becoming the first operation in Canada certified to the Canadian Standards Association's (CSA) Sustainable Forest Management Standard" (MacMillian Bloedel Ltd., 1999) and one of the first in North America to be certified under the International Standards Association's (ISO) 14001 environmental management systems program. That MB started first with CSA and ISO did not mean it was ignoring the Forest Stewardship Council (FSC) program, which has much greater support from the domestic and international

environmental community (Bernstein and Cashore, 1999b). MB noted in the same press release that "The Forest Stewardship Council system is definitely of interest to some of our customers, but we've deferred pursuing that to allow time for the development of FSC regional standards in BC. Our practical experience in implementing the ISO and CSA standards will allow us to contribute productively to the FSC work in this province" (MacMillian Bloedel Ltd., 1999). See also (Matas and Lush, 1998). Indeed, the company asked environmental groups to give MB their views on the FSC certification standards for BC (e-mail from MB posted on commforest@onenw.org, April 22, 1999).

⁴⁶Many have noted the unique ability of VP Environmental Linda Coady to interact with environmental group representatives. Most of the Greenpeace officials were women, and came from social science backgrounds. Indeed, Coady and Greenpeace officials lived in the same neighborhood, and often discussed issues while walking their babies, a phenomenon some have labeled "baby buggy diplomacy" (Adbusters, 1998)

⁴⁷By negotiating with Greenpeace, MB could refocus the debate away from preservation of old-growth forests to one of simply not clearcutting them. This is important, as groups focused on clearcutting rather than preservation during the Clayoquot Sound crisis in order to appeal to aboriginal interests. Indeed, Greenpeace's Vancouver officer ran a newspaper add in the New York Times in 1994 focusing on clearcutting, rather than preservation (Greenpeace Vancouver, 1994).

⁴⁸Bernstein (1998a) argues that a pro-market/growth "liberal environmentalism" approach has dominated international environmental politics.

⁴⁹The issue of whether a proactive firm can be categorized as "green" is controversial. This is because a proactive firm in a limited regulatory climate might actually be doing less for the environment, than an "acquiescent" firm in a highly regulated climate.

⁵⁰For a detailed discussion see (Cashore and Vertinsky, 1998).

⁵¹See Burda, Gale and M'Gonigle (1998).

⁵²For a discussion of the problems with firm's adopting market-oriented certification schemes see Gale and Burda, (Gale and Burda, 1997).

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