

# **Developing an Environmental Program That Works with Corporate Values and Business Plans**

## **~Two Forest Products Case Studies~**

*While these case studies focus on the forest product's industry, the lessons learned apply to most industries targeted by environmental activists.*

### **Introduction**

Before the mid-1990s, environmental activists in the US sought to secure changes to industrial practices and resource use through regulation, legislation, and litigation. In the mid-1990s, based on successful models being deployed by their colleagues in Europe, environmental activists began seeking changes to the practices of the forest industry by putting pressure in the marketplace on industrial customers who buy building products and paper and sell them to the public. A new cadre of environmental activists was born – marketplace campaigners. The model works as follows:

Marketplace campaigners argue:

- The forest industry makes products that customers' sell, therefore...
  - Customers are culpable in destructive environmental impacts, therefore....
    - Customers must reject forest industry practices by imposing stiffer product procurement policies on suppliers, so that...
      - Forest industry will adopt new processes and technologies which are more environmentally friendly.

The market campaigners threaten that if their target does not respond positively to their requests, the campaigners will:

- tarnish the customer's brands,
- undercut their corporate reputation,
- disrupt consumers' shopping experiences, and
- undermine shareholder confidence.

Although the forest and paper industry was among the first to experience the use of this updated and evolving strategic model targeting an industry's practices on a massive scale, since its successful deployment, market campaigners have found the tool useful throughout the wood and paper supply chain and on issues beyond forestry practices. Today the model is effectively used to address many issues (emissions, waste reduction, recycled content, chemicals, labor practices, consumption, etc.) up and down the supply chain. (This phenomenon is discussed in more detail in another "Horizons" article.)

Moreover, the marketplace campaign model is now being used by marketplace campaigners to put pressure on a variety of basic commodity producing industries such as pork, fish, plastics, oil and coal, on other sectors including banks and large retailers, and on corporations impacting key issues like climate change and fresh water and sanitation.

Beyond this kind of defensive posture, there has been a positive response to the environmental movement's efforts to take issues to the marketplace. Many companies now see social and environmental values a positive part of their brand. Other companies utilize social and environmental standards to show investors that they have a handle on genuinely problematic sustainability issues.

Two case studies involving customers of the forest products industry are instructive in demonstrating how an organization with significant brand equity can effectively respond to or stay ahead of market campaigners and maintain and even enhance their corporate reputation. Corporations A and B both have successfully addressed a common set of market campaigner requests with very different approaches.

The basic requests of Corporations A and B by the campaigners were:

- Don't buy products derived from old growth forests
- Don't buy products derived from U.S. public lands
- Don't buy products derived from native forests converted to plantations
- Buy only wood and paper certified by the Forest Stewardship Council (FSC)
- Don't buy products derived from Genetically Modified Organisms (GMOs)

In addition to the basic requests, individual campaign organizations requested support for a host of issues related to protection of endangered forests, wildlife, biodiversity, climate change and so forth.

### **Corporation A – Strategic Capitulation**

Corporation A is a large Do-It-Yourself (DIY) retail store in the U.S., representing almost 20% of the forest products industry's retail base. Market campaigners realized in the mid 90s that securing "don't buy" or "buy only" concessions from Corporation A could significantly impact the forest practices of Corporation A suppliers. The campaign groups included Rainforest Action Network (RAN), Forest Ethics (FE) and GreenPeace. The focus of the market campaigners at first was on "don't buy" old growth redwood, and then expanded to other demands.

Responding to the campaigners in early 1997, Corporation A made what was taken by the campaign groups as a commitment to eliminate the sales of old growth redwood. Apparently, Corporation A had either not been clear in their commitment or not adequately researched as to whether this commitment was achievable from a business perspective. As a result, in late 1997, the market campaigners were publicly claiming that Corporation A was not making good on its commitment. Moreover, Corporation A gave the campaign groups the indication that the company was willing to take a stand to protect endangered

redwoods. This prompted the campaigners to increase their request to all old growth and the remainder of the list of “don’t buys” and “buy only” identified above.

For three years, from 1997 into 1999 Corporation A experienced protests at their stores by the market campaign organizations. These protests included demonstrations outside of their stores and acts of civil disobedience inside their stores. For example, protesters would chain themselves to the bins of old growth lumber with megaphones in hand to make their demands. Many of these protests were targeted at Corporation A stores in the city where their corporate headquarters is located, insuring senior management embarrassment and attention. Media attention was always very well planned. The goal was to tarnish brand, disrupt shoppers’ experience and undercut the Corporation’s reputation.

In retrospect the pattern that emerged is quite clear. In response to market campaigner pressure, Corporation A developed a strategic response that included: unattainable procurement policies in reaction to attacks; commitments to campaigners that were not clearly understood by either party; its business decisions that impacted its ability to operate by giving preference to an environmental standard and certification scheme that did not have sufficient supply. For this reason, Corporation A was unable to meet promises, which led to further market campaigns.

Recognizing the inherent problems in its strategic capitulation, during this same period, Corporation A began to work with “moderate” environmental organizations such as World Wildlife Fund (WWF), The Nature Conservancy (TNC), and Natural Resource Defense Council (NRDC). Corporation A sought assistance from these organizations to help them understand and identify the most important environmental issues that the company could help address -- commitments Corporation A could make that would generate public support from these publicly credible “moderate” environmental organizations.

Meanwhile, Corporation A undertook a comprehensive analysis to fully understand their sources of wood products, the business imperatives for Corporation A and its suppliers, and its core company values. By overlaying this analysis with what they had learned from the moderate environmental groups, Corporation A was able to issue a goal oriented procurement policy committing the company to explore how the most important forests could be protected and how use of old growth from these forests might be reduced. Corporation A also indicated they would give a preference to FSC certified wood. The goal oriented procurement policy provided something for the moderate environmental groups to publicly support and allowed the market campaign groups to claim victory.

The market campaigners took their “victory” and moved on, using it to leverage similar procurement policies from Corporation A’s competitors. This allowed Corporation A to work with the moderate environmental organizations and its suppliers to refine their procurement policies with meaningful goals that would not compromise Corporation A business imperatives or values. For example, their current procurement policy clearly states that they will give a preference for certified wood from credible certification systems. All of the examples Corporation A uses and data provided are FSC related, but the core definition of credible certification systems does not exclude the systems used by

most of their suppliers. Corporation A's website demonstrates their comprehensive knowledge of their supply chain, makes clear their goals, provides some measure of their progress. The website also includes links and references to a variety of environmental organizations and agencies which provides implicit support for the procurement policy.

Corporation A constructed a goal oriented procurement policy that creates enough meaningful change to draw the support of credible environmental organizations, gives the market campaigners enough to claim victory and move on, and is consistent with core company values, a win-win for all concerned.

### **Corporation B – Strategic Leadership**

Corporation B is a very large publisher representing 25% of all US magazine advertising revenue. The company purchases over 600 thousand tons of paper annually. Corporation B has a history of close relationships with its suppliers, including long-term commitments, IT development and addressing environmental issues.

Corporation B also has a history of being a leader in environmental initiatives. For example, in the early 1990s, Corporation B worked with the Environmental Defense Fund Paper Task Force to develop the 1995 report *Purchasing and Using Environmentally Preferable Paper*. Environmental performance was built into the company's purchasing model before direct pressure from market campaigners.

Throughout the past two decades, Corporation B has distinguished itself as a leader in identifying, framing and addressing key issues such as resource utilization and global responsibility. While the market campaigners were focused on the DIY companies and other wood retailers, Corporation B launched several major environmental initiatives such as developing a database on suppliers environmental performance, conducting a magazine recycling study and multi-city program featuring ads in its publications, involving the company in exploring options to address global climate change, and developing a Certified Sustainable Forests program.

Market campaigners did turn to the paper using side of the forest supply chain until early in the new century. Corporation B analyzed and learned from the successes and failures of retailers of wood products in dealing with the market campaigners. What Corporation B saw was wood retailers who: (1) developed unattainable procurement policies in reaction to attacks; (2) made commitments to campaigners that were not clearly understood by either party; (3) made business decisions that impacted their ability to operate by giving preference to a single certification scheme that did not have sufficient supply; and (4) were unable to meet promises, which led to further market campaigns.

Given its history of working collaboratively on environmental issues, Corporation B drew on relationships with moderate environmental organizations to understand their fundamental goals related to the forest. It determined on which of those goals the company could play a leadership role. For those goals Corporation B framed the issues and set bold solutions that are difficult for campaigners to criticize. For example, in 2003, Corporation

B set a goal for its suppliers that by 2006, 80% of the fiber supplied to Corporation B would be certified. The “80% goal” was such a bold solution that it allowed Corporation B to define what constituted certified product and avoid controversy over preferred certification systems, with little or no criticism from market campaigners. This leadership also attracted public praise and awards from the moderate environmental organizations, adding further credibility to the Corporation B procurement policies.

As a result of Corporation B’s intimate knowledge of its suppliers and understanding of the real priorities of the market campaigners and moderate environmental organizations, the company is able to set a bold vision, publicly challenge (even criticize) its suppliers and satisfy the market campaigners. Corporation B has not experienced major protests or other media events critical of the company. Corporation B does have a procurement policy posted on its website, but it is not as detailed as those companies whose strategies were developed in response to campaign threats. Corporation B has deployed the strategic leadership approach very effectively.

### **Summary**

In both case studies the companies realized, or came to realize, the importance of “not getting ahead of their corporate values.” If a company determines that an environmental procurement policy or leadership role is necessary to effectively address campaign activist’s demands, it is critically important to understand the costs and benefits throughout the supply chain, and to insure that the policy can become part of the company’s corporate values and culture. It is almost always not an easy or simple process, and is not simply a matter of forcing suppliers to meet campaigner demands.

Over the past decade, most companies faced with the opportunity to enhance reputation and brand through corporate responsibility programs, or the threats from market campaigners, have deployed strategies that fall somewhere on the spectrum from reactive strategic capitulation to proactive strategic environmental leadership. The responses of those facing threats are often closer to the strategic capitulation end of the spectrum. .

The key difference between the two case studies presented is between companies being proactive vs. reactive in relation to their environmental and social impacts, and developing policies to address these impacts which take into account their reputation and brands. Being proactive gives a company more space and time to work out a position and define the space for engagement. Two recent opportunities in the forestry sector that have emerged to help companies work together and benchmark with others as they find positive ways to meet the challenges are the World Business Council for Sustainable Development (WBCSD) and the MetaFor Paper Working Group, both places where industry collaboratively works together with moderate environmental organizations in deploying the strategic leadership programs.