DETERMINANTS AND PROCESSES OF INSTITUTIONAL CHANGE IN THE B.C. COASTAL FOREST INDUSTRY

by

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ABSTRACT

This dissertation was motivated by a dramatic story of institutional change in the BC coastal forest industry after years of active resistance to such change. Individuals, organizations, stakeholders of those organizations, members of the organizational field, and changes in the broader external environment all played a part in bringing the change about. The highly publicized nature of the issue, and the 'extreme' characteristics of the setting offered a unique opportunity to address the research question: "How does institutional change occur within organizations and fields?". This dissertation has focused on identifying determinants and processes of institutional change at multiple levels of analysis.

Rich data from multiple sources was collected over the period from 1980 to 2001 in the BC coastal forestry context. These data included interviews with organizational field members, field notes/texts from public speeches, presentations, and a protest trip, media accounts, organizational documents and websites, and other academic reports. These multiple sources were triangulated and analyzed qualitatively using a grounded theory approach featuring recursive iterations between data and theory. Issues examined included a) organizational responses to stakeholder influence attempts (Chapter 3), b) intra-organizational learning and change processes at the institutionally entrepreneurial firm (Chapter 4), and c) multilevel determinants and processes of institutional change (Chapter 5, synthesizing the insights of Chapters 3 and 4).

This dissertation contributes new insights and offers refinements to existing perspectives on institutional change, organizational learning and stakeholder theory. Specifically, changes in *field membership, relational patterns, interpretations* and *stakeholder salience* were found to interact with one other to create the conditions for institutional change. While prior literature has

identified contextual conditions as impacts on organizational responses to institutional pressures (Oliver, 1991), in this study it was found that contextual conditions were in part enacted by a focal firm's attentional and relational patterns. Furthermore, some members of an organization had divergent interpretations and distinctive relationships. When these members had social skills for meaning-making, and were able to obtain sufficient power or endorsement, organizational level change could occur. Such change in an institutionally entrepreneurial firm could trigger change in the organizational field. Implications for theory and practice are discussed.

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CHAPTER 1:

INTRODUCTION AND RESEARCH QUESTION:

Setting the Stage for Examining Determinants and Processes of Institutional Change

1.1. Introduction

This research was motivated by a dramatic story of radical organizational, then institutional, change after a prolonged period of resistance to such change. For years in British Columbia (BC), we had observed what came to be known as the "War of the Woods." Environmentalists protested logging practices, blockading roads and chaining themselves to logging equipment. Forest companies enlisted the government's support and had protesters arrested. Environmentalists told the world that BC's practice of clearcut[1] logging was the equivalent of forest rape, devastating the world's last remaining intact temperate rainforests. Forest companies staunchly defended clearcutting as the 'right way' to log. Forest company employees (and other pro-logging forces) portrayed environmentalists as 'deviant', 'lying', 'stinking zealots' who ignored local realities (see e.g., Wilson, 1998). Environmentalists portrayed forest companies as "rainforest ravagers" and "greedy corporate pigs" that were in bed with the government and concerned only with short-term profits (see, e.g., Stanbury, 2000).

At the centre of the controversy was MacMillan Bloedel (MB), the oldest and largest of the forest companies, with a long and proud history in the province. MB was the first and chief target of environmental protests, and became the chief defender of forest practice orthodoxy. From the mid-1980s until 1997, MB publicly defied environmental pressures, insisting that the company was in the right. MB spent considerable time and money fighting legal and public relations battles to defends its traditional rights to clearcut the company's forest lands. Despite

the poor results associated with most of these efforts and the changing tide of public opinion against the company, MB remained entrenched in its belief in, and defense of, the status quo.

The pressures broadened over time to encompass other groups: First Nations, the public and BC communities, the federal and provincial governments, the courts, international environmentalists, politicians and celebrities, and eventually, the customers of the forest companies. The company occasionally bowed to environmental pressures, primarily when it was forced to do so by the government and its customers. In resisting these pressures, MB and the other forest companies on the coast of BC reproduced and defended traditionally institutionalized values and practices (based on the dominance of the government, the central role played by forest companies and by the forestry profession), while the values and actions of other actors in their social and political environment changed, leading to a misalignment between the companies and their environments.

However, in 1998, MB shocked its industry and stakeholders, and earned environmentalists' accolades, when it announced it would completely phase out the practice of clearcut logging in favor of variable retention logging. MB subsequently led the field in environmental proactiveness, and pressured other organizations to adopt variable retention and join with the company in negotiations with environmentalists. Two companies adopted variable retention very soon afterward, and five leading companies in the field joined with MB in negotiations with environmentalists, voluntarily calling a moratorium on logging in contested areas during the negotiations. I was struck by the question: how could an organization that was so deeply entrenched in existing institutional beliefs, norms and arrangements suddenly change its stripes to lead the charge for institutional change?

1.2. The Research Question

Formally, the broad research question guiding this dissertation is this: "How does institutional change occur within organizations and fields?"

Both *determinants* and *processes* of institutional change are of interest.[1] To address this broad question, a contextualist and processual approach is desirable (Pettigrew, 1990), involving interdependent phenomena at multiple levels of analysis, over time.

Institutions are often taken for granted and seen as right and proper (e.g., DiMaggio & Powell, 1991), creating cognitive constraints among institutional adherents. These cognitive constraints are key reinforcement mechanisms for institutional stability (Scott, 1995). Multiple levels of analysis are necessary to understand how institutional change occurs. While institutional change takes place at the level of the organizational field almost by definition, individual organizations change first (often stimulated by changes in the external environment). Their innovations (deviations) are later mimetically adopted by other organizations, under certain conditions (Kondra & Hinings, 1998; Beckert, 1999; Abrahamson & Fombrun, 1994). Thus, to track institutional change, research must consider forces operating within the organization, those in the organizational field, and those in the broader external environment. However, the need for change within an organization is generally noticed and championed by an individual or team (Beckert, 1999), and the adoption of change requires modifications in the interpretive frames of other organization members (Greenwood & Hinings, 1996). Thus a consideration of individual and group level variables is also important.

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[1] Scott (1995), following Mohr (1982) categorized research in institutional theory into 'variance' and 'process' approaches. Variance approaches focus on the causal relations between variables, answering the question "what caused an effect to happen?" As such, identifying determinants of institutional change is consistent with a variance approach. Process approaches focus on a series of events, answering the question "how did an effect happen?" Time

To change practices, one must first change individual minds and collective interpretive frames. Changes in minds and frames will be accompanied by changes in behaviour as actors enact their new frames (Daft & Weick, 1984). If we are to understand how change is introduced, accepted and diffused within institutional settings, we must develop a better understanding of how individuals notice and respond to stimuli for change, bring them into organizations and diffuse them among organization and field members.

1.3. Empirical Context

1.3.1. Empirical Setting

To examine the determinants and processes of institutional change, I investigated the innovating company (MB) in its context, from the early 1980s until 2000. It was obvious from early investigations that the social context of forestry was changing, and that the firm and the field of forestry needed to respond to those changes. Thus an understanding of the pressures for change that were coming from the external environment, along with the effects of those pressures on the field itself, was necessary. In addition, because change in organizations is often problematic (see, e.g., Starbuck & Hedberg, 1977; Prahalad & Bettis, 1986), a focus on change processes within the innovating organization was deemed fruitful. An analysis at the organizational level (including within organizational subunits) was necessary. Thus the analysis encompassed influences from the broader external environment, the organizational field and its members, and the institutionally entrepreneurial firm and its members, with recognition that all of these levels of analysis were interdependently co-evolving.

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matters more, and a longitudinal analysis is necessary. This dissertation includes a variance approach in chapter 3, and both process and variance approaches in chapters 4 and 5.

This setting represents an interesting one in which to examine institutional change for a number of reasons. First, Sastry, et al. (1999) have claimed that "nowhere are the challenges of interpreting and acting greater than in the ecological realm: the science is complex, stakeholders are numerous, multiple timeframes need to be considered, costs and benefits are often unclear, and prevailing norms and attitudes shift over time." The issue domain thus features significant uncertainty and complexity (Clark & Jennings, 1997). Furthermore, environmental issues tend to evoke considerable passion and commitment based in value systems that are inconsistent with those in place in many corporations. Issues are contentious and difficult to resolve (Clark & Jennings, 1997). The forest industry in particular has been a 'turbulent organizational environment' in recent years, as growing environmental awareness and pressures have resulted in forest companies being labeled environmental 'bad guys' (Seiter, 1995).

In British Columbia, the sheer importance of the forest industry to the provincial economy made the process of institutional change much more visible than in other settings. Newspapers reported on the forest industry daily, considerable political attention was focused on environmental issues in forestry, environmentalists were strident in their calls for institutional change, and companies, forest workers and communities were equally strident in defending their institutionalized privileges. Many public records of the debate existed, and participants in the issue domain were anxious to talk about their experiences and views.

1.3.2. Empirical Approach

Using a qualitative, grounded theory approach and triangulating several sources of data, I traced the determinants and processes of institutional change within the organizational field. The focus of the investigation was both exploratory and confirmatory. It was grounded in both

theory and data, through a process of recursive iteration between the two (Miles & Huberman, 1994). In each principal chapter (Chapters 3 through 5), existing theory was elaborated, integrated and extended both deductively and inductively: the data determining the relevant theories to be integrated, the theoretical integration determining some relevant variables, and the data confirming, changing and adding new variables to those under consideration.

I heeded the calls of researchers to study multiple stakeholders within the field (Hoffman, 1999; Sastry, et al., 1999; Holm, 1995), at multiple levels of analysis (Fox-Wolfgramm, Boal & Hunt, 1998), over time, paying particular attention to recursive and nonlinear influences among organizational field members (Greenwood & Hinings, 1996; Beckert, 1999; Winn, 2001). Lewin and Volberda (1999: 528) identified a wish list of conditions for empirical research on co-evolution between organizations and their environments. Studies should be longitudinal and sensitive to path dependence and the historical context of the firm and its field, and should:

- Assess multidirectional causalities between micro-and macro-coevolution, between and across other system elements...
- Incorporate changes occurring at the level of different institutional systems within which firms and industries are embedded, and
- Accommodate changes in economic, social and political macrovariables.

This study fulfills these conditions. Its output is a multi-level, process-based model of institutional change.

Characteristics of the context signaled the important literatures to consult. The selection of literatures was made to best suit the analysis of the data at hand, and new literatures were investigated as new learning emerged from the data analysis.

1.3.3. Characteristics of the Forest Industry Context in BC

The forest industry in BC is characterized by the involvement of multiple stakeholders, many of whom place a very high priority on their interests in forestry. A stakeholder is defined as an organization that can affect or is affected by a focal organization (Freeman, 1984). In addition to the stakeholders usually considered by firms (e.g., shareholders, customers, employees, competitors, suppliers), forest company stakeholders include forest unions,[2] communities (especially remote and forest-dependent communities), governments at all levels (federal, provincial, municipal), international governments, the forestry professional association, First Nations peoples, environmentalists, independent forest contractors (e.g., truck loggers), recreational users of the forest, and even the physical environment itself (flora and fauna that live and grow in the forest; fish that spawn in streams that are impacted by logging, etc.).

Each group has its own interests, most of which are in conflict with those of one or more of the other groups. Since forestry has been the largest industry in the province for many years, many workers, communities and supporting businesses are dependent on it for their economic survival. As 95% of the forest land in the province is owned by the provincial government, a significant proportion of government revenue comes from the forest industry, both in the form of stumpage fees (payments for the right to cut public trees), and in tax revenue. A halt to the forest industry would cause economic collapse within the province. Environmentalists claim that the BC coastal forests are the last significant remaining temperate rainforests in the world. As such, these forests are not only aesthetically valuable in their own right, but also serve as essential habitat for valuable plant and animal species, some of which are threatened by extinction. Environmentalists have convinced many of the industrial and retailer customers of forest

companies that both their public images and market access rely on their stance in protecting BC's rainforests. The forest land in BC has also been claimed by First Nations peoples, and their claims have not been extinguished in law. First Nations peoples have attempted to halt logging while their land claims are settled, so that when they finally receive title to the land they claim, the land still retains its resource value. Once they receive title, however, they expect to continue to log for economic reasons.

The industry was characterized by a complete, comprehensive and stable system of institutions, i.e., a system of "shared rules and typifications that identify categories of social actors and their appropriate activities or relationships" (Barley & Tolbert, 1997: 96). Institutional elements include "values, norms, rules, beliefs, and taken-for-granted assumptions" (Barley & Tolbert, 1997: 93), classifications, routines and practices, scripts, and schema or interpretive frames (DiMaggio & Powell, 1983; Meyer & Rowan, 1977), laws, expectations, categories, and standard operating procedures (Cyert & March, 1963; Scott, 1995). Institutions are enforced and reproduced formally by governance systems and power and authority regimes including regulatory bodies, professional associations, and organizational hierarchies (Scott, 1995). They are also enforced and reproduced less formally by actors acting in accordance with institutional norms in a social setting.

The BC forest industry is highly regulated, with very specific requirements as to how, where and when logging is to be conducted. The BC Government's Forest Practices Code, introduced in 1995, is a set of forestry regulations that stands six feet tall when stacked. The forestry professional association places strong controls on who may call him/herself a forester, and is heavily involved in the education (and indoctrination) of foresters. The forest companies

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[2] The International Wood and Allied Workers Union (IWA), with its ties to the New Democratic Party, has been a

themselves have worked together in industry consortia since 1916, the earliest of the industry consortia operating in Canada (Zietsma, Nakamura & Vertinsky, 1997), developing and coordinating common positions and practices in response to the ever-increasing regulatory system. Prior to the early 1980s, the government, industry and forest unions, with the guidance of the forestry profession, together negotiated forestry arrangements for the province. The pressures from environmentalists and First Nations, when they began in the 1980s, were an unwelcome intrusion into previously negotiated institutional arrangements.

1.4. Focus of the Dissertation

The forest industry context thus reflects both an intense struggle between stakeholders with sometimes conflicting interests, and a highly regulative system of institutions. While the struggle among stakeholders provides the dynamic of a changing external environment, institutions represented a counter force resisting change. This thesis investigated how change occurred in these institutions, permitting new patterns of behaviour and power relationships to emerge.

Specifically, I focused on the change in the institutionalized practice of clearcut logging in the BC coastal forest industry, and the associated normative change involving the acceptance of environmentalists as legitimate field members. Clearcutting was an institutionalized practice because it was seen as "the right way to log" by the forestry profession and forest science in BC, by members of the industry (including managers and workers and their unions), and by the BC government, which mandated clearcutting for most of the forest resources it owned and governed. Because clearcutting was highly valued and publicly defended, MB's announcement

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major political force in the province.

of the phasing out of clearcutting was considered a radical institutional change. Similarly, the willingness of major forest companies in the organizational field to voluntarily call a moratorium on logging in contested areas while negotiations with environmentalists took place signaled a radical departure from past practice, when environmentalists were ignored, dismissed as ignorant liars, and defied. A radical change is defined by Greenwood and Hinings (1996) as a change that involves "frame bending", or "busting loose from an 'existing orientation'", while convergent change focuses on making small adjustments to the existing orientation.

Because of the characteristics of the industry context (heavily institutionalized, marked by stakeholder conflict), two primary literatures served as focal frames for examining field level relations: stakeholder theory, and the emerging literature on institutional change. Chapter 3 draws most heavily on these two literatures to examine the interface between MB and its environment. A static model of organizational responses to stakeholder influence attempts is presented. In addition to the two main literatures, work on organizational attention is used to enrich the model.

In Chapter 4, a more dynamic approach is taken, focusing on the intra-organizational level of analysis. Because the change in practice originated in one organization prior to being diffused to others, it is appropriate to examine the internal changes at that organization (MB) in further depth. In order to overcome previously institutionalized norms, values and practices, MB went through a process of learning and change that again involved influences from multiple levels of analysis. In Chapter 4, the organizational learning literature is used to inform a process-based internal analysis at MB. Facilitators and impediments of those learning processes are also identified.

In Chapter 5, determinants and processes of institutional change that are both empirically and theoretically grounded are integrated at the field and organizational levels. The evolution of institutional change is followed from initiating influences in the broader external environment, through changes in the organizational field, to the introduction of innovations by the institutionally entrepreneurial firm, and to the diffusion of these innovations to other members of the organizational field. An overall framework, consisting of nested models at levels of analysis, is presented. Dynamic processes of institutional change and their interrelationships are described.

In the next section, the analysis is situated in the context of the existing literatures on institutional theory and institutional change. More specific literature reviews are presented in each of the principal empirical chapters.

1.5. Review of Literature on Institutional Theory and Change

As can be seen with clearcutting, a typical institution is supported and reproduced by a number of groups and individuals in an organizational field (Greenwood & Hinings, 1996), who follow the rules, believe the beliefs, enforce the norms, and take institutionalized ways of thinking and doing things for granted (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Scott, 1995). It usually represents a solution to some problem (Selznick, 1957), which may have been forgotten. The solution to the problem may have emerged through negotiation among field members (Pfeffer & Salancik, 1978; Selznick, 1949), or the innovation of one organization that has been adopted or supported (tacitly or otherwise) by others. It thus represents some level of agreement on what is considered "right and proper" among a certain configuration of field members at a particular point in time (Scott, 1995). While some field members may not support

the solution, if their power is low, they have little ability to change it (Fligstein, 1991). Provided there is some level of stability in field members' views of the practice and their relative power, a practice can take on the character of an institution. It becomes "taken-for-granted" (DiMaggio & Powell, 1983), or "infused with meaning beyond its technical usefulness" (Selznick, 1957), thus highly resistant to change.

Because institutions are pervasive, and they define the way things are and should be, they constrain the individuals and organizations that are governed by them (Barley & Tolbert, 1997; Zucker, 1987). From an institutional theory perspective, firms are expected to reflect the dominant forms, practices and interpretive frames (institutions) of the organizational field in which they are embedded (Meyer & Rowan, 1977). These institutions are stable, enduring, and largely taken for granted by organizational field members (e.g., Scott, 1995). Institutional theory focuses on the "startling homogeneity of organizational forms and practices" (DiMaggio and Powell, 1983: 148). Much of the work in institutional theory has examined inertia, and focused on the stability of organizational arrangements (Greenwood & Hinings, 1996). Institutions have been reified by the theory, separating them from those who comply with them (Barley & Tolbert, 1997), and conferring on them 'exteriority' and 'objectivity' (Zucker 1983; Holm, 1995). Much of the work in institutional theory seems to suggest that the individuals and organizations governed by these institutions have little choice but to comply. Indeed, compliance is often a non-choice behaviour, because conforming to institutional demands is a taken-for-granted reality.

Institutional theory has been criticized for its strong environmental determinism perspective and its inability to successfully deal with the issue of how institutions arise and change (see, e.g., Barley & Tolbert, 1997; Brint & Karabel, 1991; DiMaggio & Powell, 1991;

Hirsch, 1997; Hirsch & Lounsbury, 1997; Hoffman, 1999). The environmental determinism perspective of institutional theory creates its own 'iron cage', within which it becomes difficult to deal with change. Institutional approaches have also been criticized for being unable to accommodate active agency and interest-seeking in responding to institutional pressures (e.g., Oliver, 1991; DiMaggio, 1988).

Yet, institutional theorists themselves recognize that "the complexity of political, regulatory, and technological changes confronting most organizations has made radical organizational change and adaptation a central research issue" (Greenwood & Hinings, 1996: 1022), and the literature on institutional change is growing. Institutions do change, both gradually, and suddenly, and organizations must adapt, or face performance or legitimacy decrements. Yet, Kondra and Hinings (1998) contended that two fundamental questions remain unanswered: from where does the impetus for change arise, and how do organizations respond to pressures for change? The first question concerns determinants of institutional change while the second considers processes. Both of these questions are addressed by this dissertation.

Agency, economic considerations and stakeholder conflict must play a role in institutional theory if institutional change is to be explained (Kondra & Hinings, 1998). More recently, scholars have attempted to address the issue of change within an institutional perspective. Institutional theorists acknowledge that minor adaptation occurs with most institutions, much of the time. For example, as recruits join organizations, they are likely to adapt practices somewhat either because of insufficient training, or because of their own style. Furthermore, whole work groups sometimes adapt work practices informally to meet changing needs over time, and formalized work rules become decoupled from actual practices. Oliver (1992) labeled the gradual deterioration in the accepted use of an institutionalized practice

'dissipation'. Dissipation is typically a much more gradual and informal process than that discussed above, and is not the subject of this study. Rather, the focus here is on radical, intentional institutional change that becomes part of formal policy and standard operating procedures.

Others have argued that institutional theory provides "an excellent basis" for the study of even more radical change (e.g., Dougherty, 1994: 108; Greenwood & Hinings, 1996; Hoffman, 1999), because it focuses attention on the contextual factors that signal a need for change. Greenwood and Hinings (1996), and Hoffman (1999) have argued that 'old' institutional theory (e.g., Selznick, 1957), with its emphasis on competing values, norms, attitudes, coalitions, power and influence (DiMaggio & Powell, 1991), is well suited to the study of change at the organizational and field levels. Brint and Karabel (1991: 352) suggested that old institutionalism emphasizes interactions between the organization and its environment and attends to the views of the powerful. 'New' institutional theory, with its primary emphasis on stability, conformity and cognitive adherence to institutions at the level of the organizational field, is less able to deal with change. 'Neo'-institutional theory, the synthesis of old and new theories, takes the best from both, and thus is well suited to the study of change (Greenwood & Hinings, 1996). Neo-institutionalism focuses on an organization's internal dynamics to explain its response to pressures in the institutional field (Greenwood and Hinings, 1996). It is this external pressure that provides the impetus for radical institutional change.

1.5.1. The Impetus for Change: Pressures from the External Environment

Kondra and Hinings' (1998) first question concerned the locus of the impetus for change. The idea that firms must be aligned with their environments for both survival and

competitiveness has been a dominant assumption of organizational theorists and strategists for many years (Barnard, 1938; Hambrick, 1982; Lawrence & Lorsch, 1967; Thompson, 1967). Firms that are out of alignment are expected to experience performance decrements, assessments of illegitimacy, and pressures for conformity. The forest companies studied here experienced each of these problems. With severe misalignments, crisis can result. Yet there are competing perspectives in the literature as to how these pressures for alignment are experienced and enacted by firm members.

Institutionalists have tended to focus on a strong and constraining environment (Suchman, 1995)[3], while stakeholder theory (Freeman, 1984) and resource dependence theory (Pfeffer & Salancik, 1978) emphasize stakeholder conflict and the ways in which managers can actively and strategically manage this conflict. These perspectives are reaching into institutional theory (see, e.g., Oliver, 1991), enabling it to deal with change. Yet more change-oriented theories often lack the understanding of institutional constraints to change. A synthesis of theories is appropriate, and will be included in Chapter 3.

Stakeholder theory goes furthest in identifying and classifying stakeholders and how they might attempt to influence the firm, allowing for active agency, interest-seeking and the consideration of power dynamics. A firm's misalignment with the external environment is often signaled by the application of pressure on the firm by stakeholder groups (Nasi, Nasi, Phillips & Zyglidopoulos, 1997). Stakeholders are the originators of active influence attempts. Mitchell, et al. (1997) suggested that stakeholders with power, urgency and legitimacy would be most salient to a firm's managers, while other writers focus solely on a stakeholder's power (e.g., Rowley, 1997).

Oliver (1991), taking an institutional theory and resource dependence perspective, similarly suggested that stakeholders' control over the focal organization, and the organization's relative dependence with respect to each stakeholder, are key to predicting the organization's response. She added the consideration of other variables, however, including the multiplicity of stakeholders' demands, whether or not the content of the demands are consistent with organizational goals, whether or not the demands are likely to result in improved social or economic fitness, and contextual factors, such as uncertainty and interconnectedness.

The work in stakeholder theory would be consistent with that of institutional theory if organizations facing similar stakeholders with similar characteristics responded similarly. Oliver's work begins to move us in a more strategic direction, however, answering Kondra and Hinings' (1998: 743) second question: "How might organizations respond to pressures for change?" Similarly, Greenwood and Hinings (1996) suggest that external pressures are important, but that individual organizations respond to pressures in the field as a function of their internal dynamics. An examination of organizational factors in response to pressures for change is appropriate.

1.5.2. How do Organizations Respond to Pressures for Change?

When organizations face active influence attempts by stakeholders, they must determine how to respond to them. It is clear when one examines organizations in transition empirically that not all organizations exhibit the 'startling homogeneity' that institutional theory describes. Strategy perspectives emphasize that inimitable differences among firms are sources of competitive advantage (particularly within the resource-based view, e.g., Amit & Schoemaker,

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[3] Though, as Tolbert and Zucker (1996) pointed out, practices and behavioural patterns vary in degree of

1993; Barney, 1996, Wernerfelt, 1984), and that change and innovation are necessary to achieve competitive advantage. Indicative of the underlying paradigm of the different theoretical schools are the labels they apply to change: institutional theorists call it 'deviation', while strategic choice advocates call it 'innovation'.

Other perspectives, such as the strategic choice perspective (e.g., Child, 1972; Tichy, 1983; Tichy & Devanna, 1986), emphasize the pivotal role of executive action, with little or no emphasis on the strong pressures for inertia that exist in institutionalized environments. Normative work on organizational change also emphasizes the role of the leaders of change (e.g., Kotter, 1995), particularly in the realm of radical change. However, decision-makers often fail to see problems or their seriousness (Hinings & Greenwood, 1988). Empirical work by Virany, Tushman and Romanelli (1992) found that changes in leadership and the top management team were associated with strategic reorientations. Within institutional theory, Kraatz and Moore (2002) found that executives who migrated to new organizations were more likely to bring alternative organizational arrangements (from their former organizations) to the new setting. Yet leadership does not explain all: Selznick (1957) described how institutionalization worked to ease the job of leadership in maintaining the status quo, but it constrained leaders from future change efforts. Because organization members view institutionalized practices as 'right and proper', they resist efforts to change them, and fail to see other possibilities.

Greenwood and Hinings (1996) focused on dynamics within the organization, suggesting that those with interest dissatisfaction (unhappy with outcomes) or values commitment differences (unhappy with institutionalized norms), may attempt to change institutional arrangements if they realize that prevailing institutional templates are responsible for their

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institutionalization depending on how long they have been in place and how widespread is their acceptance.

unhappiness. They are unlikely to be able to do so unless the enabling factors of power dependencies and capacity for action are present (Greenwood & Hinings, 1996). Specifically, those in power must favour the changes, and the organization must have the skills and resources for change available, and they must be willing to mobilize those skills and resources through leadership. Since those in power are often supported and privileged by current institutional arrangements, the possibilities for change may be limited without a change in leadership. Fligstein (1991: 313) noted, "Change ... can only occur when either a new set of actors gains power or it is in the interest of those in power to alter the organization's goals." New institutional theory has been criticized for its limited ability to deal with power (Mizruchi & Fein, 2001), though old institutional theory (and neo-institutional theory's synthesis of old and new) provide a means by which power can take its place in institutional theory.

As an alternative to power as the dominant factor in bringing about change, one could argue that individuals and organizations may adapt to environmental change through learning. Within the traditional paradigm of institutional theory, change in behaviour patterns may be accommodated by considering institutions of learning (e.g., formal research programs or institutionalized routines of learning by doing). Thus even radical change can be explained as a change that occurs within a system. Lack of change and adaptation can be attributed either to institutional deficiencies (no accommodation of learning), impediments to learning or impediments to putting new learning into action. In highly institutionalized environments, the capacity for change may be limited, especially for organizations that are centrally located within the institutional context (Greenwood & Hinings, 1996). The organizational learning literature illuminates how learning processes take place within an organization and how the capacity for action develops, yet this literature has been criticized for not considering issues of power

(Easterby-Smith, Crossan & Nicolini, 2000; Vince, 2001). This literature is reviewed in Chapter 4, and insights from organizational learning and institutional theory are integrated in both Chapters 4 and 5.

I have thus argued that change in an institutional environment must take into account agency, power and learning, at multiple levels of analysis. Broader environmental changes, stakeholders' actions, field level changes and the interpretations of individuals within organizations are all key aspects of institutional change. In the next section, I present the premises on which this dissertation is based, and a framework for the remainder of the dissertation.

1.6. Premises of the Dissertation

The task undertaken in this dissertation is thus to seeks answers to the question: *"how does radical institutional change occur?"*, or more specifically, *"how did radical institutional change occur in the BC coastal forest industry in the late 20th century?"* I base the work in neo-institutional theory, with its inclusion of active agency, interest seeking and constraining institutional environments. Focusing on pressures from the external environment, I supplement neo-institutional theory with what is known about stakeholder conflict and classification from stakeholder theory. Stakeholder theory enables us to take a closer look at which influence attempts from stakeholders elicit compliant responses, while attentional theory refines that analysis by providing some understanding of the types of influence attempts firms will view as salient. Pressures from stakeholders act as triggers for both sensemaking and action by organizational members. At the organizational level, organizational learning theory informs the analysis.

This research takes as its starting point, the following premises:

1. Multiple levels of analysis are necessary to understand how institutional change occurs. While institutional change takes place at the level of the organizational field almost by definition, individual organizations change first. Their innovations (deviations) are later mimetically adopted by other organizations, under certain conditions (Kondra & Hinings, 1998; Beckert, 1999; Abrahamson & Fombrun, 1994). Thus it makes the most sense to consider forces for change at the organizational level of analysis. However, the need for change within an organization is generally noticed and championed by an individual or team (Beckert, 1999), and requires changes in the interpretive frames of other organization members in order to be adopted (Greenwood & Hinings, 1996). Thus a consideration of both individual and organizational level variables is important here.

2. Stakeholders will actively attempt to influence focal organizations either directly or indirectly. By indirectly, I mean through another stakeholder (Frooman, 1999). Institutional pressures for isomorphism that are more cognitive or taken-for-granted are not the subject of study since they are not *active influence attempts*. These isomorphic pressures are typically pressures for stability, and this study concerns institutional change. Furthermore, their very taken-for-grantedness impedes the researcher's ability to identify and study them. I assume that influence attempts may or may not lead to change, and often many influence attempts are required before change is triggered. Influence attempts can be meaningfully classified to enhance the ability to predict how organizations will respond.

3. Attending to influence attempts is problematic. Prior research in institutional theory and in organizational learning has documented that signals for change are frequently unnoticed, not responded to, or resisted by organizations, often to the detriment of organizational

performance (Starbuck & Hedberg, 1977; Ansoff, 1977; Levitt & March, 1988). Sources of influence attempts that come from outside the organizational field may not be attended to (Kondra & Hinings, 1998), because they may come through channels that are not scanned by field members (Hoffman & Ocasio, 2001).

Even when signals are noticed, managers can choose from a range of responses including ignoring, defying, passively complying and innovating (Oliver, 1991). At least in part, these responses will depend on the managers' perceptions of stakeholders' power and legitimacy. Stakeholders' claims and their power and legitimacy attributes will be judged through the interpretive frames of the managers.

4. Individuals can be reflexive and act strategically with respect to institutions. While most work in institutional theory downplays the role of individuals, suggesting that most actions are prescribed by the institutional environment (Meyer & Rowan, 1977), a focus on institutional change requires the consideration of strategic action by individuals (Beckert, 1999). Some individuals *notice* influence attempts and reflect on institutions, and some of those individuals actively attempt to make changes in their organizational environments (Barley & Tolbert, 1997). A study of the determinants and processes of institutional change must therefore include a focus on individual change agents acting strategically. A challenging task for researchers is to identify when responses are strategic and when they are based in institutional conformity.

5. Changes often originate in one firm. While some institutional change is instituted by regulatory agencies or emerges from field level negotiations, a common path to institutional change is through an organization that develops an innovative solution to a field level problem, which may then be observed and adopted by other organizations (Kondra & Hinings, 1998). Learning takes place at these institutionally entrepreneurial firms and then becomes distributed

through other organizations in the field. In order to study the microprocesses of institutional change, it is thus helpful to consider the learning that takes place within those organizations that take on the role of institutional entrepreneur.

The premises surface several questions which are necessary for understanding the microprocesses of institutional change. Premises 2 and 3 concern the interaction between stakeholders' influence attempts and the institutionally entrepreneurial firm. We need a better understanding of the pressures for institutional change. What types of influence attempts exist and what characteristics will lead them to be noticed and acted upon by an institutionally entrepreneurial firm? What characteristics of the stakeholders and their influence attempts will lead to various organizational responses? These questions are the focus of Chapter 3.

Premises 4 and 5 concern the interaction between individual change agents and the institutionally entrepreneurial organization, along with the learning processes of the organization. Not all would-be institutional entrepreneurs are able to make changes within their organizations. To have the ability to change an institution, an actor must have sufficient power, resources and legitimacy to overcome the regulative, normative and cognitive forces that uphold that institution (Barley & Tolbert, 1997; Greenwood & Hinings, 1996). Furthermore, internal organizational attributes and processes can be expected to affect the likelihood that, and the manner in which, an organization will change (Fox-Wolfgramm, Boal & Hunt, 1998; Greenwood & Hinings, 1996), prompting the question: What individual and organizational factors affect an actor's ability to make change in an organization? This is the focus of Chapter 4.

The final step in the institutional change process is diffusion. There are numerous studies in the literature that deal with models of diffusion, suggesting that successful practices will be mimetically adopted (Oliver, 1992; Kondra & Hinings, 1998), particularly when they are

introduced by central organizations in the organizational field. In this dissertation, the actions of the institutionally entrepreneurial firm to diffuse the institution are identified, but the focus of the dissertation is on the introduction of an institutional change, and discussion of diffusion patterns is beyond its scope.

The dissertation is arranged as follows. The next chapter outlines the data sources and the overarching methodology for the entire study. Chapters 3 through 5 are arranged as sub-studies: each contains its own literature review and methodology sections, and each focuses on a different, but interrelated analysis. Chapter 5 also takes on the task of integrating the results of Chapters Three and Four into an overarching model. In Chapter 6, the findings across all chapters are reviewed, contributions to the literature are highlighted, limitations and directions for future research are identified, and conclusions are drawn.

CHAPTER 2:

DATA AND METHODOLOGY

2.1. Introduction

The research question addressed in this dissertation (how did radical institutional change occur in the BC coastal forest industry in the late 20th century?) demands a multilevel, longitudinal, context-sensitive, process-based approach. "The creation and institutionalization of new activities occurs through a dynamic process that cannot be captured in discrete snapshots," according to Aldrich and Fiol (1994). Lewin and Volberda, (1999) and Sastry, et al. (1999) have called on researchers to conduct fine-grained, longitudinal analysis in fields experiencing institutional change. Greenwood and Hinings (1993: 91) suggested that "ignoring a multilevel perspective results in a lack of understanding of how change is embedded in and affected by its institutional and temporal context." Similarly, Fox-Wolfgram, et al. (1998: 122) argued that "studying change at multiple levels is important. Without such multilevel consideration, an understanding of the interplay between institutional and organizational forces will be missed." These authors also contend, however, that "despite calls for such an orientation, relatively few empirical studies have used a multilevel perspective" (p. 122).

2.2. Research Strategy

A qualitative, grounded theory is ideally suited to the research question, and likely to make a distinct contribution to the literature. Such an approach allows for the assessment of causality, and the examination of underlying and non-obvious issues (Miles & Huberman, 1994).

My approach involved extensive contact with participants in the issue domain, and the use of a wide range of data to describe and explain the phenomenon of institutional change. This approach focuses on rich, holistic understanding of events occurring in context, over time.

The existing literature highlighted certain variables of interest during data collection. Consistent with the Strauss and Corbin (1990) approach to grounded theory, I have iterated regularly between data and theory through the data collection and analysis, using theory to fine tune and focus my questions of both interviewees, and the data itself, and using data to determine relevant theoretical foci, to extend and refine the literature, and to develop new understandings. There is no overarching theory that captures the multilevel phenomenon of institutional change and thus grounded theory is an appropriate methodology for this study. There is very little empirical work that has examined the unfolding of institutional change, and the focus here on determinants and processes at the individual, group, organizational and interorganizational levels is unique. Furthermore, the interactions among multiple field members as they attempt to influence an institutional field, is new to the literature.

> "We know relatively little about the interface between the organization and the institutional field (citing Scott, 1995: 129; Hirsch and Lounsbury, 1997). Yet this interface is the locus of much of the action that in turn shapes change and conformity at the organizational and institutional field levels" (Sastry, et al., 1999: 2).

These authors suggested that the idea that organizations may choose how to respond to institutional pressures has not been examined in depth and over time at the level of individual organizations, and so we lack understanding of the contingencies which impact strategy choice and outcomes for organizations. This research question demands sensitivity to context,

observation of dynamic processes, and an openness to the emergence of new variables or patterns.

In addressing this research question, I accept Hoffman's (1999) contention that organizational fields are issue-specific and based on interaction patterns. Therefore, I will focus on one particular issue: the debate between environmentalists and forestry firms with respect to environmentally-appropriate standards, practices and locations of logging on the BC coast.

The use of carefully selected case studies is an approach that is well suited to the study of longitudinal change processes generally (Eisenhardt, 1989), and institutional change in particular (Greenwood & Hinings, 1996; Sastry, et al., 1999). MacMillan Bloedel, the company chosen for intensive analysis, is the institutionally entrepreneurial firm in this study. The company was the lightening rod for stakeholder pressures for institutional change from the early 1980s until 1998 when the company was sold to Weyerhaeuser.[4] Chapter 3 focuses on MB's responses to stakeholders' influence attempts, while Chapter 4 provides extensive analysis of the internal learning processes at MacMillan Bloedel which ultimately led to the introduction of an institutional change. However, the study focuses not just on an organization, but also on the members of its organizational field. Chapter 5 focuses on the overall process of institutional change, from external environment change, through changes in the organizational field, institutional entrepreneurship at MB, and through early diffusion to the organizational field.

My research strategy involved collecting and analyzing interview and archival data from MB and other issue-related groups in the organizational field, namely environmental groups, First Nations communities, government, customers, unions and logging-dependent communities.

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[4] Former MB employees, now at Weyerhaeuser, are still highly involved in negotiations with stakeholders for further institutional restructuring.

2.3. Data

The data collected in this research are qualitative in nature. Qualitative data offer several strengths that make it ideally suited to the research question. The focus is on naturally occurring events in natural settings, featuring "local groundedness, the fact that the data were collected in close proximity to a specific situation" (Miles & Huberman, 1994: 10). The data enable thick descriptions that provide richness and offer potential to reveal complex processes. Qualitative data are well suited to identifying peoples' perceptions (van Maanen, 1979), which is key to this study. Qualitative data are usually collected over a sustained period, offering the opportunity to understand processes and causality (Miles & Huberman, 1994). The validity of qualitative data is enhanced through triangulation, using multiple sources and types of data (Jick, 1979). This research benefits from all of these issues. Because the forest industry is such a central part of the province of British Columbia, and because the pressures on the industry were very intense and public, a significant volume of public data is available, and there were a number of public events in which I could participate. In addition, members of the field showed a genuine interest in participating in the research. Data included media accounts, interviews, internal company documents, websites, academic accounts, conferences and public presentations.

2.3.1. The Forestry Chronologies

The Forestry Chronologies are a set of documents constructed by W.T. Stanbury that covered environmental conflict in the BC Forest Industry from the late 1980s to May, 2000. These documents included 766 pages of chronologically summarized and quoted media accounts, exclusive of explanatory notes. Media accounts were drawn from a variety of sources,

including the Vancouver Sun, the Vancouver Province, the Globe & Mail, the Financial/National Post, MacLeans, the New York Times, Truck Logger, and the Logging and Sawmilling Journal. Summaries ranged from two or three lines to several paragraphs, and many included direct quotations from relevant field members, including environmentalists, government officials, First Nations peoples, industry representatives and MB managers and executives.

2.3.1.1. Newspaper Articles

Media accounts were drawn from the entire set of articles in the Vancouver Sun that dealt with forest issues from the time period of 1995 to 2000. Subject search terms included 'forest industry', 'forest products industry', and 'environmentalism'. Articles numbered 2332. A random sample of 50 articles per year from 1995 to 2000 was extracted and compared to the Stanbury Chronologies to verify the completeness and accuracy of the chronologies. All articles with an environmental focus were found to be in the chronologies. Other articles that were not included in the chronologies covered such topics as US trade issues, the Japanese market, tax, issues related to the manipulation of stumpage fee[5] calculations, and the closing of various mills. Each article was examined for facts and the perceptions of actors relevant[6] to the analysis (forest industry members, environmentalists, First Nations and government). The following questions guided the assessment:

1) Were all relevant facts presented in the summaries?
2) Were facts represented accurately?
3) Were all relevant perceptions represented?

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[5] Stumpage fees are a type of tax paid to the government by forest companies based on the value of the trees being logged.

4) Were perceptions represented accurately?

The summaries included for each article were judged to provide an accurate representation of the facts and perceptions in the article. Thus the Stanbury Chronologies were judged to be complete and valid.

2.3.2. Academic Accounts

A number of academic accounts of the events in the forest industry, and of MacMillan Bloedel's story, have been previously published (Boutilier & Svendsen, 2001; Cashore, Raizada & Vertinsky, 1999; Parfitt, 1999; Pinfield, 1995; Raizada, 1998; Stanbury, 2000; Wilson, 1998; Winn, 1999). Boutilier and Svendsen (2001) took a stakeholder perspective to examine stakeholder collaborations with respect to Clayoquot Sound. Cashore, Vertinsky and Raizada (2000) focused on policy networks from a combined political science/organizational theory perspective. Parfitt (1999) took an ecological perspective. Pinfield (1995) focused on internal labour markets and the changes in perspective that occurred with staffing changes. Raizada (1998) examined the decision-making of MacMillan Bloedel and Canfor with respect to responses to environmental pressures. Stanbury (2000) examined interest group behaviour with a focus on environmentalists in the forest industry. Wilson (1998) took a public policy perspective to examine changes in the forest industry with respect to environmental protection. Winn (1999) summarized the events and influences on the business of forestry in a white paper on the BC Forest Industry. Each of these sources was used to validate, challenge and complement other sources of data, often providing evidence of field members' perspectives and internal actions that were not publicly available, summarizing additional sources of data.

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[6] Actors were considered relevant to the extent that they were a normal part of the organizational field; that is, they

2.3.3. Interview Data

Internal accounts were drawn from interviews of MB organization members and relevant members of the organizational field. Data were collected from other field members to obtain other perspectives on the issues, and to hone the analysis based on their perspectives. Twenty-four interviews were conducted at MB, twenty-six with other industry members, nine with environmentalists, three with government members and four with forest-dependent community members. Table 2.1 shows additional details on the interviews that were conducted.

The majority of interviews were 90 minutes in length, though the range was from 30 minutes to 4 hours. All interviews were conducted between May 1999 and July 2000, with the exception of the 1996 interviews listed in Table 2.1. Extensive notes were written during the interviews and most interviews were tape recorded and transcribed verbatim, with the following exceptions. In one instance, the interview was conducted by telephone (a government interview) and was not tape recorded. In a second case, the tape recorder failed (an environmentalist leader interview). For the community members (4) and activist members of the environmental organizations (7), interviews were recorded, but as they were conducted on a bus and in a public forum, there was too much background noise to enable transcription. The interview notes were transcribed immediately after the interview for the first two cases, and within 24 hours for the latter cases. Transcriptions were compared to the written notes as soon after the interview as possible (within 1 week). The total number of pages of interview notes was 561. Subjective reports summarizing notes about the interviews were written and compared to those of a co-

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interacted regularly with other field members regarding the issue domain.

interviewer at the completion of the interview for the 28 cases in which there was a co-interviewer.

Table 2.1: Interviews Conducted

Organization/ Stakeholder	Level of Interviewee	Number of Interviews
MB	Executives/Board Members (all interviewees were both) Former Executives: 2 (3 interviews) Executives in Place in 1999 **Total Executive Interviews**	 3 2 5
	Senior Managers: 4 (one interviewed twice, one interviewed 3 times) 1996 Interviews **Total Senior Manager Interviews**	7 3 10
	Managers Former Manager 1996 Manager Interviews **Total Manager Interviews**	4 1 2 7
	Consultants	2
	Total MB Interviews	**24**
Environ-mentalists	Organization Leaders Activist Members	2 7
	Total Environmentalist Interviews	**9**
Government	Ministry of Forests Field Office Ministry of Forests Head Office Liaison Branch	1 1 1
	Total Government Interviews	**3**
Industry Members	1999-2000 Interviews at other Forest Companies 1996 Interviews at other Forest Companies	20 6
	Total Interviews with other Industry Members	**26**
Community	Politician, Chamber of Commerce Representatives and Resident of a Forest Dependent Community	**4**
Overall	**Total of All Interviews**	**66**

Interviews were semi-structured. An interview protocol, tailored to the position and group membership of the interviewee, was drawn up prior to each interview. Several examples are included in Appendix One. The protocol for MB managers (as an example) included a

number of open-ended questions that were designed to elicit narratives from interviewees in such areas as "what led to the change in forest practices at MB?", "why was the change necessary?", and "what pressures for change was the company experiencing?" Other questions were designed to assess which stakeholders organization members felt were relevant to the organization at various times and why. Questions such as "who made the decision to phase out clearcutting?", and "how was the decision made?", and "what happened to the power situation at MB when the leadership changed?" were designed to assess power and process elements of learning within the organization.

Interviews with other industry members obtained their views on the pressures in the field, the institutionalized norms and practices in the field, their reaction to MB's announcement and how they perceived the change came about, as well as their own processes of decision making with respect to environmental issues. Stakeholder interviews identified their views of the pressures in the field, their beliefs about forest practices, and their reaction to MB's announcement, including their perceptions of what led to the decision. Environmentalist leaders were also instrumental in describing behind the scenes conflicts, negotiations and collaborations with MB managers, as well as the other stakeholders with whom they had partnered over the years.

2.3.4. Speeches and Presentations

There were numerous speeches and public presentations that comprised part of the dataset. I attended many of these sessions, carefully transcribing notes, and obtained written transcripts of other speeches given by field members. These are listed in Table 2.2. In the Western Canada Wilderness Protest Trip to Lilloet (northeast of Vancouver), I accompanied

environmentalists as a participant observer, on the bus, through social functions at a First Nations reserve, and during interactions with community members and loggers at the Land Resource Management Planning (LRMP) forum.

2.3.5. Documents and Websites

Numerous documents and websites were consulted to validate other data and obtain public perspectives of different groups. These are shown in Table 2.3.

The variety in sources and types of data collected is a significant strength of the research relative to comparable research in the literature. While Sastry, et al. (1999) mapped changes in one organization's framing of and responses to the natural environment over time, they focused on a single organization and a single datasource: the firm's environmental reports. These reports are likely to be somewhat biased, and they do not shed light on processes by which issue interpretation changes, merely tracking those changes over time. Hoffman (1999) tracked institutional change at the field level over thirty years, but he focused on interactions of field members via federal legal cases only, and conducted a content analysis of trade journal article topics. He noted that his data could not identify field constituents that did not interact via the courts, and that he could not address how events or individual agency drove institutional change. The data in this study includes a much more comprehensive set of field constituents, and addresses the processes by which events and individual agency drove change.

Table 2.2: Speeches and Public Presentations

Presentations to Academic Audiences	Iisaak Presentation to the UBC Forestry Faculty (First Nations) Elaho First Nations Presentation to the UBC Forestry Faculty Sierra Club Presentation to the UBC Forestry Faculty Interfor Presentation to the UBC Forestry Faculty FSC Certification Presentation to the UBC Forestry Faculty MB VP Environment Presentation to UBC MBA Class MB VP Human Resources Presentation to UBC Undergraduates MB CEO Presentation to UVic MBA Class MB Business Trainers Presentation to UVic MBA Class
Forest Trends Conferences (2)	Presentations by MB VP Environment, First Nations Representatives, and Environmentalists
Joint Solutions Initiative Community Conference	Presentations by MB VP Environment, Leaders from Greenpeace and the Sierra Club, First Nations Leaders, Forest-Dependent Community Leaders and Academics
Western Canada Wilderness Committee Trip to LRMP process in Lilloet	Three Presentations by First Nations representatives Three Presentations by Environmental Leaders
King, Chapman Broussard Workshop on Organizational Change	Presentations by MB VP Operations, Former MB Human Resource Manager, MB Sawmill Worker & Sawmill Production Supervisor, IWA Union Executives, MB Consultants
Interfor Annual General Meeting (2000)	Presentations by Interfor CEO, President and VP Operations, Forest Scientist, Mayor, two First Nations Leaders, MLA Debate among forest scientist, recreational forest user, tourism business operator and community leader
Speech Transcripts and Magazine Interviews	MB CEO: 2 investor analyst call transcripts, 1 speech to the Toronto Board of Trade, speech announcing the Forest Project results and 2 magazine feature interviews Forest Alliance Executive: 1 magazine interview MB VP Environment: 4 speech transcripts MB VP Operations: speech announcing the Forest Project MB Chief Forester: speech to the Fraser River Basin Group

The extensive data collected allowed me to triangulate and validate facts and perspectives across multiple data sources and types, significantly strengthening my conclusions (Jick, 1979). Furthermore, observation of public interactions of organizational interest groups both in person and through the press allowed me to have an understanding of the dynamic influences groups

have on each other, and have had the effect of immersing me in the field. In addition, different data types augment each other. For example, corporate environmental reports can be expected to be positively biased to project the best possible image of the organization (though they are subject to public scrutiny). Furthermore, intentions and the causal influences behind certain actions can rarely be ascertained from formal reports. Interviews can provide information about intentions and causal influences, though respondents are subject to retrospective biases (Golden, 1992). These retrospective biases can be ameliorated to some extent with references to internal documents, speeches, and press reports. By triangulating multiple, complementary indicators of actions and interpretations, validity is enhanced. When reflected accounts (i.e., those reported secondhand, e.g., through the media, or by other field members) differ from internal accounts, differences between intentions and the interpretations of others can be identified. When private accounts (interviews) differ from public accounts (public documents and speeches), differences between the public face of an organization and its more heterogeneous and less rehearsed 'backstage' areas (Goffman, 1959), can be ascertained.[7]

[7] Although interviews will also be subject to some image management biases, being less public than other sources, they are likely to be less subject to these biases (Axelrod, 1976).

Table 2.3: Documents and Websites

MB Internal Documents	Employee Newsletters from 1995-1999 Annual Reports 1995-1998 Environmental Reports Certification Report Forest Project Backgrounder Document Forest Project Introduction Information Forest Project Review Document
Websites	Ministry of Forests Ministry of Aboriginal Affairs Sierra Club Greenpeace Forest Alliance of BC MB Forest Trends Coastal Rainforest Coalition Markets Initiative

2.4. Analysis

A key task in grounded theory research is "to reach across multiple data sources ... and to condense them" to explicate the way people in particular settings make sense and take actions, based on observations and interviews (Miles & Huberman, 1994: 8). Data collection and analysis are conducted iteratively so that analysis can inform further collection of data (Strauss & Corbin, 1990). Early data analysis is then supplemented by comparison with relevant literature and ongoing refinements in data collection. In this study, data analysis was conducted in several interrelated parts, examining both field level and organizational level issues.

2.4.1. Field Level

One of the first steps of qualitative research is to generate a chronological narrative to guide sensemaking and assist in the development of causal inferences (Miles & Huberman, 1994; Yin, 1994; Eisenhardt, 1989). The construction of a narrative at the field level of analysis (the

focus of chapters 3 and 5) required an initial focus on public documents, particularly press reports. The Stanbury Chronologies were used to generate a list of actions by stakeholders on the issues of land preservation and forest practices. Where possible, responses to these actions by MB were included with the actions themselves. I read each entry in the chronologies and wrote a short description of actions taken by stakeholders. Some entries included only summaries of previously reported actions. I used these to cross-check the actions I had identified. Others featured opinions of industry members, MB managers or other stakeholders, often being verbal 'first reactions' to an action taken by another group. These I recorded as perceptions associated with the actions. These actions were summarized in a chronological event and activity list that filled 107 pages. From this event and activity listing, a narrative was constructed that described changes in the field from the period from the early 1980s until 2000, identifying causal chains, and patterns of action and interpretation over time. This narrative is presented in Appendix Two.[8]

The construction of the narrative aided further analysis by surfacing field-level norms and historically-based assumptions and explicating the institutional context. I drew heavily on this context in understanding the gains in power and legitimacy that environmentalists and First Nations were able to make as described in Chapter 3 and 5. It provided contextual information to support the understanding of MB's learning processes in Chapter 4. Most importantly, the construction of the narrative helped me identify which areas of the data seemed most significant, guiding the focus of empirical and theoretical analysis. More reduction was necessary to enable further analysis, however. Further chapter-specific reduction of the data is described in the methodology sections of Chapters 3 through 5.

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[8] The story from MB's perspective is presented in more detail in Chapter 4.

2.4.2. Intra Organizational Level

Chapter 4 is based on the intra-organizational analysis of MB. For this analysis, I relied more heavily on the interview data.

2.4.2.1. Interview Analysis: Themes, Meanings, Perceptions

Interviews with most MB managers (and 10 industry members) were conducted jointly with Dr. Monika Winn of the University of Victoria. Dr. Winn was investigating a separate research question with MB managers, but the types of data we required overlapped considerably, so we agreed to collaborate to reduce respondent burden and improve our own meaning-making with the data. We co-constructed interview protocols, and immediately after we interviewed respondents, we prepared subjective reports on each interview (see form in Appendix Three), then discussed them together. The purpose of the subjective reports was to identify any non-verbal cues that would not show up on the interview transcripts but that might nonetheless provide clues to understanding the interviewee's perspectives. We noted moments of emotion in the interview, hesitancy to discuss any issues, impressions of the premises and culture of the organization, and the respondent's comfort level. We also discussed the interviews' content, and recorded memos for any impressions that came to us through the discussions.

After several very critical interviews, Dr. Winn, Oana Branzei and I met for a case analysis meeting. Ms. Branzei had not been a part of the interviews, but read transcripts and offered us fresh insight into what she read. The three of us co-constructed initial causal stories, which were then used to guide further data collection. At this point, I also turned to the literature

to help refine my insights and generate key variables that could be added to further data collection efforts.

2.4.2.2. Causal Narrative: Internal to MB

After each set of interviews, I worked to refine the causal story. I constructed case notes from interview accounts, supplemented with reference to the field level narrative, the tables of grouped actions, and the more public data contained in speeches and presentations given by MB managers. The notes included chunks of relevant text that indicated environmental actions, causal attributions or perceptions from each of the sources of data. Once all data collection was complete, I constructed a causal narrative from these notes.

It must be understood that the causal narrative is my own attempt to make sense of what I heard from the people within MB in question. Media accounts were compared to the causal narrative to ensure 'the facts' were straight (actions, timing, the reactions of other members in the field as publicly stated), as well as to assess perceptions and causal attributions via the public representations of field members. Internal accounts were used to identify organization members' causal attributions and their perceptions of various events, issues, stakeholder groups and their actions.

I also extracted category files from the case notes, composed of evidence that seemed to fit particular themes. These categories were driven by both theory (e.g., influence attempts and who noticed those, the within-company processes of change, framing of environmentalists and other groups, framing of environmental issues and industry practices, credible/not credible sources of pressure) and by data (e.g., linking/breaking with the past, MB interests aligned with the public interest, government as final authority, seeds of variable retention, Forest Project

processes, etc.). I coded actions and interpretations into these categories and compared them to theoretically-based concepts (e.g., legitimacy, intuiting, interpreting, etc.), abstracting further from the data. New theoretical concepts and variables were described when the data did not fit with existing theory, or when existing theory was sparse. These new concepts make up the theoretical contribution of Chapter 4, and are further described there.

2.5. Discussion

2.5.1. The Truth Value of the Study

Lincoln and Guba (1985) identified four criteria to assess the truth value of qualitative research study. These are credibility, transferability, dependability and confirmability.

Credibility is achieved when the research ensures that the subjects are accurately identified and described. Credibility is enhanced by prolonged engagement in the research context, persistent observation and triangulation of the data. These are all features of my data collection. Because I did not rely on a single source or type of data, and because I collected data directly from each stakeholder group involved in the story,[9] the likelihood that I have captured the perceptions and positions of each of the groups is significantly higher. Peer debriefing during the inquiry process is another way to increase credibility. In this study, peer debriefing included regular conversations with Dr. Winn, and the interim case review meeting with Ms. Branzei.

A way to assess credibility is to ask research subjects to verify accounts for accuracy ('member checks' according to Lincoln & Guba, 1985). While finding a research participant among my study members who would be willing to read a long dissertation was unlikely, I was

able to ask for verification of MB's field level causal narrative from the head of MB's Forest Project. He confirmed that the story told coincided with his view of events, lending credibility to this study.

Transferability refers to the applicability of one set of findings to other contexts. It is said to be a traditional weakness of qualitative studies, but Lincoln and Guba (1985) make the point that it is only the user of the findings that can assess their applicability to another context, thus it is not up to the researcher to provide an 'index of transferability'. However, the researcher can provide a wide enough data base to ensure that potential users are able to assess transferability. Transferability relies both on the data itself and on the concepts and models used to analyze the data (Marshall & Rossman, 1989).

In terms of data, the study is situated in the British Columbia coastal forest industry in the context of pressures for sustainable forest practices. The industry is a declining one, but one that has had significant political prominence in the province. These characteristics make the setting unique and may limit the study's generalizability. On the other hand, this is an *extreme case* (Yin, 1989) which illuminates otherwise hidden aspects of organizational and institutional change. Furthermore, the industry's political prominence is responsible for the proliferation and quality of the data. At the same time, the focus of the study is on the processes of institutional change. The processes of influence, interpretations, and organizational learning are sufficiently abstract to suggest that the findings may be more generally applied.

At the field level, the intense pressures and the emotionality of the environmental issues are quite unique. However, an increasing number of firms are having to deal with pressures for sustainability specifically, and social advocacy issues generally, and these issues usually

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[9] Whether through interviews or public presentations. In the case of customers, only newspaper and hearsay data

generate emotional, value-based conflict. As such, this study represents an early look at how organizations that are usually expected to be guided by norms of rationality, can come to understand and deal with claims that are not based on rational, profit-maximizing terms.

Dependability is achieved when the researcher can account for changing conditions in the study phenomenon as well as changes in the design created by increasingly refined understanding of the setting. It is the qualitative equivalent to reliability. As such, Guba (1981) argued, if credibility could be established (which is the equivalent of validity), then dependability was assured. However, there are other means to assess dependability. One is by means of triangulation. That has been done. Another depends on good recordkeeping; the trail of records in the inquiry process provides confidence that a) the same researcher could replicate the inquiry process, b) another researcher could follow the process undertaken and verify its thoroughness. I have maintained records of raw data, field notes, memos attached to field notes and transcriptions; data reduction and analysis products including working tables and summaries, theoretical notes, and working hypotheses; data reconstruction and synthesis products, including themes and category documents; process notes involving the steps I have taken in the analysis; reflexive notes and expectations; and instrument information (interview schedules, subjective report forms, etc.), all as recommended by Lincoln and Guba (1985: 319-320).

Confirmability asks the question "Could the study be confirmed by another?" There is no pretense of replicability in natural inquiry since the subject of the study is *expected* to change (Lincoln & Guba, 1985). Confirmability is enhanced by the recordkeeping described above and triangulation.

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could be used.

2.5.2. Limitations

The research is subject to a number of limitations. First, it relies to some extent on retrospective accounts, which are likely to exhibit some biases (Golden, 1992). However, this limitation is ameliorated considerably by the use of multiple respondents, multiple data sources, and the availability of archival data and interview data from past studies. Furthermore, the field has been changing as I have collected the data, allowing some in-process analysis of change.

Secondly, qualitative studies are often criticized for being overly subject to the interpretations and pre-conceived notions of the investigators. While it can be argued that all research is subject to these influences, facets of my study ameliorate these concerns. Specifically, the multiple sources of data allow for triangulation, and the existence of a second researcher with different pre-conceived notions, with whom I compared interpretations during the data collection phase, lends validity to the study.

In the examination of intra-organizational learning processes in Chapter 4, I attempted to reflect most directly the accounts of MB managers, presenting their internal views of the situation. This is necessary given my focus on the learning and change processes at MB, which rely on perceptions. My intent is to explain the MB's actions based on the interweaving of how MB managers themselves interpreted the situation (or at least in terms of how they explained these interpretations to me). However, the account presented here is mine, coloured by my own interpretations and biases, and shaped by the questions I asked. My attempts to make sense of organizational accounts relative to existing theory, and to develop new theory based on those accounts, unquestionably frame what I heard, saw and read in particular directions.

CHAPTER 3:

INFLUENCE ATTEMPTS AND RESPONSES

3.1. Introduction

This chapter seeks partial answers to Kondra and Hining's (1998: 743) unanswered questions: "where does the impetus for change come from?", and "how might organizations respond to pressures for change?" The focus here is on the interface between the organization and its environment at any given point in time.

Organizations are embedded in political environments, wherein a variety of stakeholders seek their own interests. In the pursuit of their interests, some stakeholders actively attempt to influence a target organization. *Influence attempts* can come from sources either inside or outside of the organizational field (Kraatz & Moore, 2002; Meyer, Scott & Deal, 1983, Oliver, 1992; Selznick, 1949, 1957), or from inside the firm (Oliver, 1992), though the latter are often in response to external pressures (Barley & Tolbert, 1997; Greenwood & Hinings, 1996; Pettigrew, 1987). In this chapter, the focus is on external influence attempts by stakeholders. Employees' influence is discussed in more depth in Chapter 4.

There are a number of studies and theoretical arguments that suggest that organizations are sometimes unable to notice pressures for change, even when the failure to notice creates survival and growth challenges for the firm (Starbuck & Hedberg, 1977; Bettis & Prahalad, 1986; Prahalad & Bettis, 1995; Levinthal & March, 1993). Even when influence attempts are noticed, some of them are likely to be dismissed as immaterial or invalid, and therefore ignored or resisted. Often, there is a multiplicity of pressures from the external environment (Oliver,

1991), many of which are conflicting, both with the objectives of other stakeholders and with the target organization's own objectives. Theories of stakeholder relations inherently assume conflicts among stakeholder and organizational objectives (Frooman, 1999), yet we have an insufficient understanding of how an organization will respond to conflicting pressures.

In this chapter, a conceptual model of a firm's responses to stakeholder influence attempts is developed, then refined and elaborated using qualitative analysis of empirical data. The model considers the salience of the stakeholder, the salience of the influence attempt itself, and the type of response that is likely, which, in turn, depends on characteristics of the influence attempt, the context and the respondent. The model was developed first conceptually, then refined through a grounded examination of MB's responses to influence attempts in its environment. Insights from stakeholder theory, institutional theory, social cognition and firm-level attention are incorporated into the model. The theoretical underpinnings for the model will be presented first, followed by a case study illustrating the various pathways of the model and identifying refinements gleaned from the data. The conclusion highlights the theoretical insights gained from the analysis.

3.2. Literature Review

The literature review is structured as follows. First, stakeholder theory is reviewed, and a recent model of stakeholder salience by Mitchell, Agle and Wood (1997) is described. Three gaps in the literature are noted when stakeholder theory is used to address the research questions. First, the stakeholder salience model does not address a firm's response to active influence attempts by stakeholders, as its focus is only on the salience of a stakeholder to an organization based on stakeholder attributes. Second, while Mitchell and colleagues acknowledge the

existence of competing stakeholder demands, the model does not include a mechanism to address them. Competing demands may change an organization's preferred or possible response set and may affect the salience of various demands. Third, stakeholder theory does not address how firms with low power and legitimacy can become more salient to an organization.

The first two of these gaps are addressed in part by literature in institutional theory, particularly as integrated with resource dependence theory by Oliver (1991). This work is reviewed in the following section. Oliver proposed a set of strategic responses to institutional pressures and identified conditions under which these responses are likely to be selected. Multiplicity of demand is one of the conditions Oliver identified. However, consistent with much of the work in institutional theory, Oliver's article focused primarily on responses to pressures for institutional conformity, not pressures for institutional change. MB had to respond to pressures for institutional change. As a result, Oliver's predictions regarding interconnectedness, uncertainty and multiplicity of demand must be revisited. This represents a fourth shortcoming in the existing literature.

A final gap in the existing literature relates to the salience of influence attempts themselves. Neither stakeholder theory nor institutional theory addresses the salience of influence attempts, though both agree that stakeholders with low power and legitimacy (Mitchell, et al., 1997), and stakeholders who are more likely to be outside of the organizational field (Kondra & Hinings, 1998), are more likely to be ignored or unnoticed. Work on managerial and organizational cognition is reviewed in the next section to identify the characteristics of influence attempts that lead to salience in the eyes of the target.

Based on a synthesis of the theories reviewed, a model is presented that addresses these gaps in the literature and enables predictions of an organization's responses to stakeholders' influence attempts.[10] I begin with stakeholder theory.

3.2.1. Stakeholder Salience

Influence attempts come from stakeholders via direct or indirect pressures on a firm. The question of who matters as a stakeholder (and thus, who is likely to be able to impact a firm) is a central theme of stakeholder theory (see, e.g., Freeman, 1984; Frooman, 1999; Mitchell, et al., 1997; Rowley, 1997).

A stakeholder has been defined by Freeman as "any group or individual who can affect or is affected by the achievement of the organization's objectives" (1984: 46). Goodpastor (1991) suggested that this definition implies both strategic stakeholders, (those who can affect a firm) and moral stakeholders (those who are affected by the firm).

The breadth of Freeman's definition has caused considerable problems for the development of stakeholder theory, and various other definitions have been advanced, with varying degrees of inclusiveness. Hill and Jones (1992: 133), defined stakeholders as "constituents who have a legitimate claim on the firm". However, the judgment of legitimate claims is ambiguous – by whose standards do we judge? For many, the only legitimate stakeholders for a profit-maximizing firm are those on whom the firm depends for its economic performance and survival (e.g., Bowie, 1988), or those who have something at risk with the firm,

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[10] The analysis in this dissertation was conducted via a grounded theory process, featuring regular iterations between data and theory. In particular, characteristics of the data drove the selection of which theories were used and how they were integrated. For clarity of presentation, conceptual work based on extant theory is presented first, then refined based on the data, with the final model and discussion reflecting the results from both conceptual and empirical analysis.

such as investors (Clarkson, 1995). Others include employees, customers, community members, and even nature itself (Starik, 1995).

Carroll (1993) added that stakeholders include those organizations that have power over the focal organization and are seen as legitimate by it, however Carroll's definition excludes those who may be negatively impacted by an organization but have no direct power over it, and who are not acknowledged by the organization as legitimate. For example, residents of the Love Canal area had little power and legitimacy with Hooker Chemical until they were able to successfully mount a lawsuit. Did they only become stakeholders after they launched the lawsuit? Narrow definitions like those of Carroll, Bowie and Clarkson seem to suggest that they were not stakeholders, while more inclusive definitions would say they were. For the purposes of this dissertation, Freeman's (1984) broad definition of stakeholder is used, and the stakeholders' power and legitimacy in the eyes of the focal firm are treated as variables for categorizing stakeholders.

Stakeholder theory has concerned itself with three central questions, according to Frooman (1999). These are:

> "1. Who are they? (This question concerns their attributes.) 2. What do they want? (This question concerns their ends.) 3. How are they going to try to get it? (This question concerns their means.)" (Frooman, 1999: 191).

Rowley (1997) considers a fourth question: How do firms respond to stakeholder influence attempts? For the purposes of this study, I will examine primarily the third and fourth questions: how do stakeholders try to influence their target firms and how do the target firms

respond to their influence attempts?[11] A 'target' firm or organization is simply the organization that the stakeholder is attempting to change via any given influence attempt.

To examine stakeholders' influence attempts and responses, it is helpful to consider stakeholders' attributes. Perhaps the most ambitious examination of stakeholder attributes to date is that advanced by Mitchell, et al., (1997), who proposed that the dimensions of stakeholder power, urgency and legitimacy determined the salience of a particular stakeholder to managers. Urgency is defined as the degree to which a stakeholder is seen by the focal firm as wanting immediate attention. Urgency depends on both time sensitivity and criticality (Mitchell, et al., 1997). Power and legitimacy are distinct dimensions that sometimes overlap but that also exist independently, according to these authors (citing Weber, 1947). Power is determined by an organization's access to the resources necessary to impose its will on another (citing Etzioni, 1964). Legitimacy is defined in line with Suchman as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (1995: 574).[12]

Legitimacy is a controversial attribute, according to Frooman (1999). He asked: "From a firm's strategic planning standpoint, does it matter whether society deems appropriate a stakeholder's claims?" (1999: 191), arguing that power is less controversial. In contrast, Freeman (1984) suggested that even illegitimate groups will be dealt with if they pose a threat to the firm.

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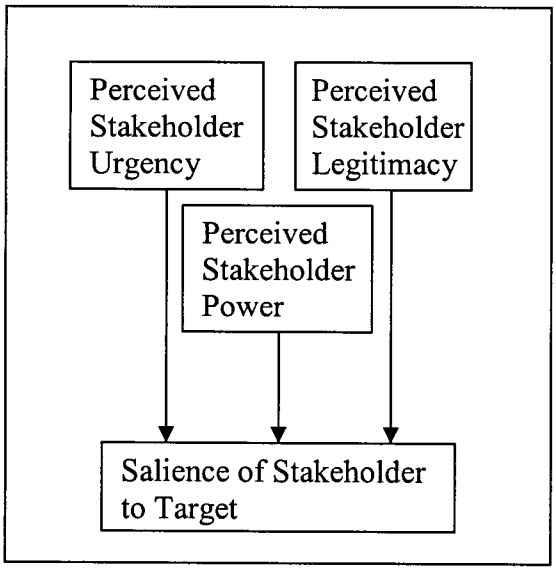
[11] The question of what the stakeholders want is considered implicitly, in that the concept of influence attempts for change inherently assumes some change is desired. This study concerns influence attempts for change in forest practices and land preservation.

[12] There is some conflict between the use of Suchman's (1995) definition of legitimacy (which is grounded in institutional theory), and the focus on firm managers' perceptions. Institutional theory treats legitimacy as determined by society, and Suchman refers to 'generalized perceptions' within some 'socially constructed system of norms.' This issue can be resolved if we assume that managers assess legitimacy based on the normative system they consider relevant, which is usually the normative system of the firm and the organizational field. However, there will be differences in individuals' relevant normative systems, even within an organization. This will become evident through the internal analysis in Chapter 4.

Table 3.1: Mitchell, Agle and Wood's (1997) PUL Framework

	Class	Power	Urgency	Legitimacy	Stakeholder Salience
Latent	Dormant	High	Low	Low	Low
	Discretionary	Low	Low	High	Low
	Demanding	Low	High	Low	Low
Expectant	Dominant	High	Low	High	Mod
	Dependent	Low	High	High	Mod
	Dangerous	High	High	Low	Mod
Definitive	Definitive	High	High	High	High

Figure 3.1: Stakeholder Salience Model



The Power-Urgency-Legitimacy (PUL) model proposed by Mitchell, et al. (1997) identified different types of stakeholders based on the focal firm's managers' perceptions of stakeholder attributes. The model (summarized in Table 3.1 and illustrated in Figure 3.1) suggested that stakeholders with one attribute (latent stakeholders) were of low salience to managers, those with two attributes (expectant stakeholders) were of moderate salience, and those with all three attributes (definitive stakeholders) were of high salience to managers. Latent stakeholders were 'dormant' when power only was high, 'discretionary' when legitimacy only

was high, and 'demanding' when urgency only was high. Expectant stakeholders were 'dominant' when only power and legitimacy were high, 'dependent' when legitimacy and urgency were high, and 'dangerous' when power and urgency were high. Definitive stakeholders were high in all three factors.

Mitchell and colleagues focused on the *salience* of stakeholders, whether or not these stakeholders were attempting to influence the firm at any given time. We can thus understand the model as a scanning model: based on stakeholders' power, urgency and legitimacy, firm managers identify the stakeholders to which the firm will attend regularly, in the absence of any specific influence attempt. We can assume that even minor influence attempts by salient stakeholders will be noticed, since these stakeholders are scanned regularly by the firm, while stakeholders of low salience may remain unnoticed or be safely ignored by the focal firm.

There are (at least) three gaps associated with the stakeholder salience model when it is used to analyze institutional change. First, the model does not address how stakeholders that lack power and legitimacy with a focal firm can impact that firm. New stakeholders are often perceived not to be powerful or legitimate since the firm typically has had limited interaction with them. Second, the stakeholder salience model does not include a means of taking into account the multiplicity of demand that exists in an organization's environment. Many stakeholder demands may be conflicting (Oliver, 1991). Finally, the model does not provide any indication of how an organization will respond to an influence attempt, since the model focuses neither on influence attempts nor on responses. Instead, it merely predicts which stakeholders will be salient based on their attributes, as perceived by the focal firm.

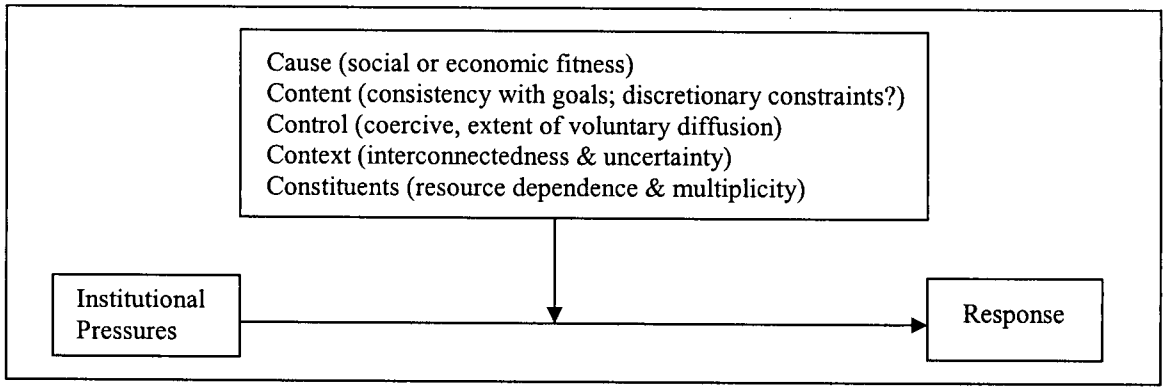
3.2.2. Responses to Stakeholder Pressures

A seminal work by Oliver (1991) focusing on how organizations respond strategically to institutional pressures from their environments addresses some of these issues. The article provides a typology of responses, and identifies a set of determinants of responses. Contrary to standard institutional theory predictions of compliance with institutional pressures (e.g., Meyer & Rowan, 1977; DiMaggio & Powell, 1983), Oliver combined resource dependence theory (Pfeffer & Salancik, 1978) with institutional perspectives to propose that organizations could respond to pressures more strategically. Oliver identified five possible responses: manipulation, defiance, avoidance, compromise, or acquiescence, listed in order of firms' level of resistance to stakeholder pressures (1991: 152). 'Manipulate' responses include attempts to co-opt influential stakeholders (Selznick, 1949), attempts to influence the institutional environment through lobbying and public relations (DiMaggio, 1983), and attempts to control institutional actors and processes (Tolbert, 1985; 1988; Rowan, 1982), especially when demands are weak or emerging (Oliver, 1991). 'Defy' responses include dismissing/ignoring pressures, challenging them, and attacking the source of the pressures. 'Avoid' responses include attempts to hide non-conformity (Meyer & Rowan, 1977), attempts to buffer parts of the organization from institutional demands by decoupling (Meyer & Rowan, 1977; 1983; Powell, 1988; Thompson, 1967; Scott, 1987) and attempts to escape pressures by changing goals, activities or domains (Hirschman, 1970). 'Compromise' responses involve balancing the demands of multiple stakeholders (Rowan, 1982), often by bargaining with them and pacifying some with partial conformity (Pfeffer & Salancik, 1978). 'Acquiesce' responses involve compliance by design (Meyer, Scott & Strang, 1987), by habit (Scott, 1987; Tolbert, 1985; Tolbert & Zucker, 1983), and imitation of

institutional models (DiMaggio & Powell, 1983).[13] The environmental literature points to the existence of another type of response: some firms go beyond acquiescence to internalize the demands of external stakeholders and respond to them innovatively (e.g., Schot, 1991), or proactively (e.g., Post & Altman, 1992).

Oliver proposed five antecedents of strategic responses: Cause (Does the pressure increase social or economic fitness?), Content (Is the pressure consistent with organizational goals? Does it constrain the firm's discretion?), Constituents (Are there a multiplicity of stakeholders? To what extent is the firm dependent on them?), Control (Is the pressure legally coercive, or is the voluntary diffusion of a practice quite high?), and Context (Is there environmental uncertainty? To what extent are institutional actors interconnected?). Graphically, Oliver's framework could be depicted as in Figure 3.2.

Figure 3.2: Oliver's (1991) Strategic Responses to Institutional Pressures



Oliver argued that, ceteris paribus, if complying with the demand would increase the firm's social or economic fitness (cause), the response would be acquiescence. When there is a

[13] Response categories are paraphrased from Oliver, 1991: 152.

multiplicity of demand (D'Aunno, Sutton & Price, 1991; Pfeffer & Salancik, 1978), defined as "the degree of multiple, conflicting constituent expectations exerted on an organization" (Oliver, 1991: 162), acquiescence is contraindicated, and other responses are more likely. When the firm is dependent on a constituent for resources, the firm is more likely to acquiesce or compromise with the constituent, is moderately likely to avoid the pressure, and has a low likelihood of defiance and manipulation. Since resource dependence is a measure of power (Pfeffer & Salancik, 1978), this prediction is consistent with stakeholder theory's focus on attending to powerful stakeholders (e.g., Mitchell, et al., 1997). When the content of a demand is consistent with the organization's goals, more acquiescent responses are likely, with a moderate likelihood of compromise or avoidance (Powell, 1988). When the content puts constraints on the firm's discretion, more resistant responses are indicated (avoid, defy, manipulate). Legal coercion and a high rate of voluntary diffusion of an institution among related organizations (control) are associated with more acquiescence, as are uncertainty and interconnectedness in the context. Interconnectedness refers to the density of interorganizational relations among institutional actors in the field, with the expectation that dense interconnections will not only diffuse norms more quickly within the field, but will also make it more difficult for any given firm to hide non-compliance.

While Oliver's work represents a significant contribution to our understanding of firm responses to external pressures, her implicit focus was on *pressures for conformity* that came from within the institutional environment. Stakeholders who exert *pressures for institutional change* are not as well addressed by her work, and in fact, are rarely the focus of work in institutional theory. This represents a fourth gap in the existing institutional literature.

Focusing on pressures for change instead of pressures for conformity calls into question some of Oliver's predictions. For example, Oliver predicted that acquiescence would be high when the institutional environment is highly interconnected. This prediction is logical when pressure for conformity comes from an interconnected institutional player. However, the target firm risks falling out of conformity with its interconnected environment if it acquiesces to pressures for change coming from an actor outside of the organizational field. In this case, the prediction would be logically opposite: an interconnected environment should lead to resistance toward a pressure for change. Moreover, if the interconnections in the field are both to actors who pressure for change and to actors who pressure for conformity, it is not clear who would be most influential. In this situation, multiplicity of demand is high by definition, increasing the likelihood of resistance, however, interconnectedness should increase acquiescence. Oliver's hypotheses do not allow us to predict the outcome.

Uncertainty predictions may also vary depending on the interaction of multiplicity and interconnectedness. Uncertainty is likely to be higher when there is a multiplicity of demand (Oliver, 1991; Pfeffer & Salancik, 1978; Scott, 1987), yet high uncertainty is expected to lead to less resistance while high multiplicity is expected to lead to more resistance. In the midst of institutional upheaval (where there are significant pressures for institutional change), uncertainty and multiplicity are both likely to be high, while the character of interconnections may be shifting (e.g., new connections may be developing with new field members). Oliver's propositions are not designed to handle such a circumstance.[14] A more general model of organizational response to influence attempts should be able to explain both pressures for

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[14] Although the compliance with one stakeholder's demands over another is predicted by Oliver to be associated with the firm's relative dependence on the two stakeholders. This is basically consistent with the predictions of the

institutional conformity and pressures for institutional change, whether they come from inside or outside the accepted institutional environment.

3.2.3. Addition of Salience of the Influence Attempt

Neither the stakeholder salience model nor Oliver's work on strategic responses to institutional pressures address the salience of the influence attempt itself, and this represents a gap in both theories more generally. Some influence attempts are likely to be more noticeable than others, above and beyond the consideration of stakeholder salience. For example, influence attempts that are persistent are more likely to attract attention than those that are only occasional, and those that block the front entrance of an organization are more likely to be noticed than those that arrive by mail. The principle of bounded rationality dictates that not all influence attempts will be noticed or responded to (Simon, 1957). Even if influence attempts are noticed, organizations may convince themselves that they are unimportant (Hinings & Greenwood, 1988). The salience of an influence attempt is a key variable in a model of organizational responses to influence attempts, since an influence attempt must be salient before it can stimulate a response.

In his attention-based view of the firm, Ocasio (1997) argued that the environment is interpreted via individual and organizational attention structures. "Attention structures are the social, economic and cultural structures that govern the allocation of time, effort and attentional focus of organizational decision-makers in their decision-making activities." (Ocasio, 1997: 195). Attention structures are often called cognitive schema (Fiske & Taylor, 1991) at the individual level, while being similar to an "organizational frame of reference" (Shrivastava and

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stakeholder salience model (Mitchell, et al., 1997), though the latter adds consideration of legitimacy and urgency to

Schneider, 1984), "organizational ideology" (Meyer, 1982), "dominant logic" (Prahalad & Bettis, 1986), or 'interpretive scheme' (Ranson, Hinings and Greenwood, 1980) at the organizational level. An attention structure labeled "the rules of the game" contains "the formal and informal principles of action, interaction, and interpretation that guide and constrain decision-makers in accomplishing the firm's tasks and in obtaining social status, credits and rewards in the process" (Ocasio, 1997: 197). This definition corresponds closely to understandings of institutions at the organizational level.

Individuals interpret influence attempts, however, via their own attention structures (Ocasio, 1997). Individuals' attention structures are likely to reflect, to a large extent, the firm's internal institutions (Scott, 1995). This is certainly the assumption of the large body of work in institutional theory that does not consider individuals at all except as enactors of institutions (Kraatz & Moore, 2002; Zilber, 2002). However, individual attention structures are likely to overlap organizational norms, *but not perfectly.* An individual's attention structure will also be shaped by his/her organizational role (Lawrence & Lorsch, 1967), professional and social memberships (DiMaggio & Powell, 1983; Greenwood & Hinings, 1996; Zucker, 1977), and values, beliefs, scripts, etc., developed outside of the organization. Kraatz and Moore (2002) found that migrating elites are associated with changes in firm-level institutions, supporting the idea that individuals that come from other institutional settings have different attention structures than institutional 'natives' (Abrahamson & Fombrun, 1994), and thus notice different things, attach different interpretations to stimuli, and come up with different responses.

A note on terminology is required. Walsh (1995) reviews the literature on what he calls 'knowledge structures' at individual, organizational and industry levels of analysis. He lists 77

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the consideration of power associated with dependence.

different terms used to describe these knowledge structures within 79 different articles. Part of this proliferation of terms is due to the use of this concept by a variety of areas, including cognitive psychology, institutional theory, sensemaking, strategy, organizational learning, managerial and organizational cognition, and others. Each different term is given a slightly different emphasis by the user. I do not wish to add to this confusion. For the purposes of this dissertation, I will adopt the term 'interpretive frame' because it emphasizes the use of a structure (frame) through which the individual or organization interprets stimuli. Based on significant prior literature, I accept that interpretive frames at the individual level are strongly influenced by the institutional context, but are also influenced by an individual's prior learning from other contexts (including his/her family of origin). At the organizational level, the interpretive frame consists of the set of institutions that are broadly accepted and endorsed (implicitly or explicitly) within the organization.

Influence attempts that are inconsistent with organizational level (institutionalized) interpretive frames may not be noticed by many organizational members. Interpretive frames create strategic blindness among organization members (Ansoff, 1977; Starbuck & Hedberg, 1977; Walsh, 1995). Bettis and Prahalad (1995: 7) claimed that "organizational attention is focused only on data deemed relevant by the dominant logic. Other data are largely ignored." Similarly, Ansoff (1977: 56) noted that "typically only historically familiar raw data find their way into the interpreted consequences. Reports on unfamiliar discontinuities, if they find their way into the firm, remain in raw form, because the methods and approaches for converting them into action typically do not exist." He suggested that managers use environmental information only to confirm their prior models of reality, not to change them.

Influence attempts directed at creating change often present interpretations which are inconsistent with existing interpretive frames. In order for change in response to occur, interpretive frames need to be changed. Research on changes in interpretive frames (or schema, the term used in this literature) suggest three processes by which schema deal with inconsistent or disconfirming information: bookkeeping, subtyping and conversion (Augoustinos & Walker, 1995). In the bookkeeping model (Rumelhart & Norman, 1978), it is suggested that people fine-tune their schema with each piece of information, and thus schema change will typically be gradual unless there are many (or extreme) contradictions between data and schema. In the conversion model, minor inconsistencies do not lead to schema change, but sudden and dramatic changes may result from salient instances which disconfirm the schema (Rothbart, 1981). In the subtyping model, schema are maintained by relegating disconfirming instances to subcategories. Empirical work on individuals' stereotypes both in the laboratory (Weber & Crocker, 1983), and in a real-world setting (Hewstone, Hopkins & Routh, 1992), found most support for a subtyping model, which allows the stereotypes to persist, supporting the idea that changes in interpretive frames are difficult. The dearth of research in this area, and its focus on only one content domain (stereotype persistence), casts doubt on the generalizability of the findings, however. Walsh (1995) concluded that, even at the individual level, we know little about how interpretive frames are developed or changed.

At the organizational level, there is reason to believe that both bookkeeping and conversion models may also be relevant. Organizations have scanning and interpretation systems (Daft & Weick, 1984), and are subject to the discipline of the market. Persistent disconfirming data may be more likely to attract the attention of scanners, particularly if the disconfirmation begins to affect indicators that the organization regularly scans. For example, if

the focal organization's performance has begun to slip below that of competitors that have capitalized on the new data, the organization will seek answers to the performance issue and in doing so, may notice persistent signals and begin to learn from them. Starbuck and Hedberg (1977), at the organizational level, note that inconsistencies between environment and interpretive frame are likely to be interpreted as transient at first, but may result in change if they persist.

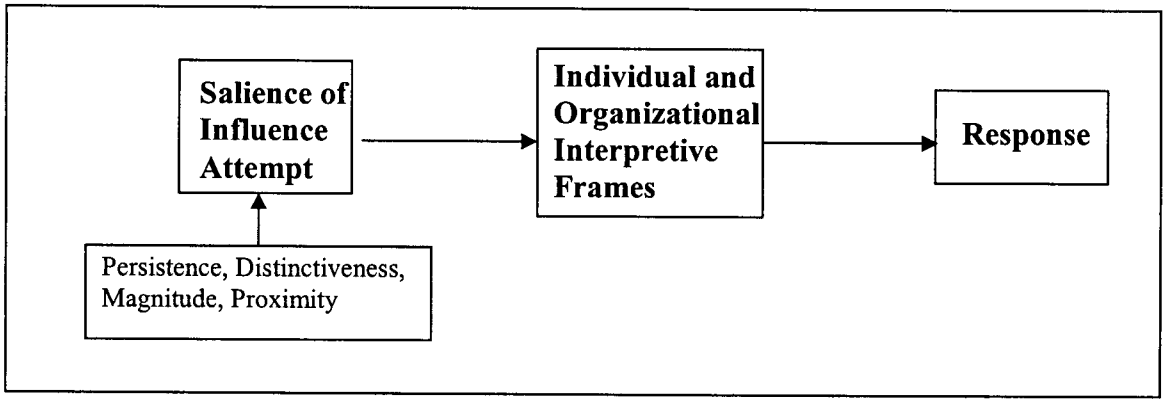
In the conversion model, *distinctive* stimuli, and those of high *magnitude*, are likely to initiate schema change. For example, the loss of a large customer because of heretofore unnoticed quality problems is likely to attract the attention of an organization. Fiske and Taylor (1984) identified empirical support for distinctiveness and magnitude in schema change. Starbuck and Milliken (1988) and Weick (1995) also identified novelty as a contributor to salience. High magnitude stimuli, such as crises, major stock market declines or environmental disasters (e.g., the Exxon Valdez oil spill or the Bhopal disaster) are less likely to remain unnoticed (Hoffman, 1999), and more likely to trigger changes (Bettis & Prahalad, 1995; Weick, 1995; Crozier, 1964). Distinctive events and those of high magnitude are also more likely to be publicized, and highly publicized events are more likely to be noticed and to stimulate institutional change (Fligstein, 1990; Hoffman, 1999; Hoffman & Ocasio, 2001).

Hoffman and Ocasio (2001) suggested that industry members would attend to events for which the industry is publicly perceived by outsiders to be accountable, and which insiders believe threaten industry image. Analogously, we can expect that firm managers' attention to influence attempts will vary to the extent that they perceive the attempts to be threats to the firm's image. This holds at the individual level as well: if a stakeholder calls into question the legitimacy of a production practice, we can expect the production manager to be more aware of

the influence attempt than the purchasing manager. Similarly, managers in charge of a geographic location that is being blockaded are more likely to attend to the blockade than are managers from another location, even if they both hold similar jobs. In a sense, the influence attempts are more *proximate* to the production manager and the manager in the blockaded location. Proximity depends on geographical (Lee & Pennings, 2002; Oliver, 1992) and social identification factors.

Existing theories of organizational response to stakeholder influence attempts do not incorporate insights into the salience of the influence attempts themselves. Influence attempts that are distinctive, of high magnitude, persistent and/or proximate to the respondent are more likely to be salient. Influence attempts are interpreted through individual and organizational interpretive frames, and a response is generated that is consistent with those frames (Ocasio, 1997). These relationships are shown in Figure 3.3.

Figure 3.3: Model of Salience of the Influence Attempt and its Effect on Response



The salience of an influence attempt is a critical variable in a model of organizational responses to influence attempts precisely because it can explain why organizations sometimes respond to stakeholders that have been previously thought to have limited power and legitimacy,

contrary to expectations based on stakeholder theory. If a stakeholder is of low salience, but its influence attempt is of high salience, that stakeholder has a good chance of stimulating an organizational response, addressing the third gap in the literature identified above.

This review has identified five gaps in the literatures concerning an organization's response to stakeholder pressures, four of which can be at least partially ameliorated by combining insights from the three models shown in Figures 3.1-3.3. The first gap concerns the disconnection between stakeholder salience and organizational response, thus expanding the Mitchell, et al., (1997) model. Synthesizing insights from Oliver's (1991) work on strategic responses to institutional pressures provides us with a set of possible responses to pressures and helps identify some conditions under which various responses are more likely. The second gap noted in the stakeholder salience model is that it does not provide a mechanism to account for multiplicity of demand in determining stakeholder salience. Oliver's (1991) work includes the consideration of multiplicity of demand, along with uncertainty and interconnectedness. Since her work implicitly focuses on pressures for institutional conformity, however (gap four), her predictions need to be revisited. The third gap in the literature concerns how stakeholders of low salience (or organizations coming from outside of the organizational field) can become salient to an organization. This gap is partially addressed by the addition of the variable 'salience of the influence attempt', which also addresses gap five. That is, a strong (persistent, proximate, distinctive or high magnitude) action of the stakeholder may attract an organization's attention despite the stakeholder's low salience.

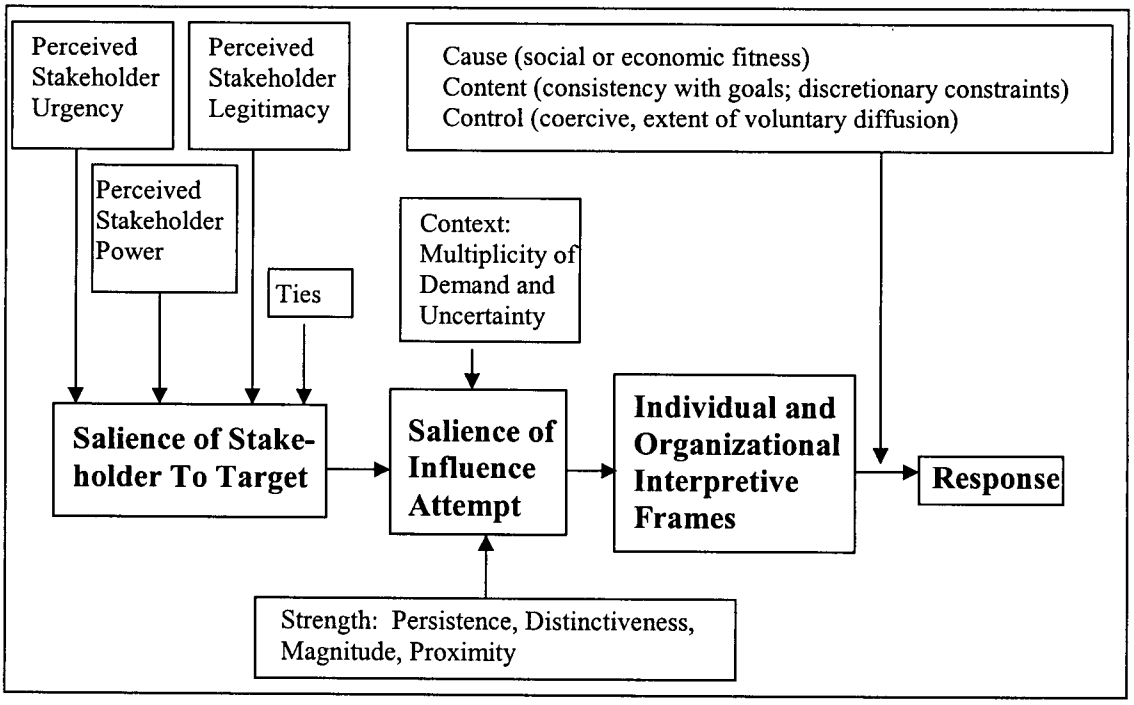
In summary, by synthesizing insights from stakeholder theory, institutional theory (tempered by resource dependence) and managerial and organizational cognition, a more general model of organizational responses to stakeholders' influence attempts can be developed that is

capable of handling competing pressures for both change and conformity, from stakeholders that are of varying salience, and via actions that are more or less salient to the organization. Such a model is described below.

3.3. Model of Organizational Responses to Stakeholders' Influence Attempts

The model of organizational responses to stakeholders' influence attempts is presented in Figure 3.4. I first offer an overview, then describe each component.

Figure 3.4: Organizational Responses to Stakeholders' Influence Attempts



The process begins with the stakeholders of a firm. The model suggests that stakeholders will have differential salience to a focal firm's managers depending on how the managers perceive the stakeholders' attributes (Mitchell, et al., 1997), and the ties that exist between the stakeholder and the focal firm. The salience of influence attempts will be affected by the

salience of the stakeholder, the strength of the influence attempts themselves and the context. Salient influence attempts will be interpreted through individual and organizational attention structures (Ocasio, 1997). Depending on the cause, content, and control associated with an influence attempt, the organization selects a response (Oliver, 1991).

3.3.1. Salience of Stakeholder to Target

The stakeholder salience model proposed by Mitchell, et al. (1997) forms the left hand side of the model of organizational responses to stakeholder influence attempts shown in Figure 3.4: a stakeholder's *power*[15], *urgency* and *legitimacy* impact the *salience of the stakeholder* to the focal firm. The *ties* that a stakeholder has with the focal organization will also impact that stakeholder's salience. The closer the ties, the more likely it is that the stakeholder and the firm share norms and monitor each other. This is similar to the interconnectedness variable discussed by Oliver (1991), but note that 'ties' refers to a bilateral relationship, and not a field level measure like interconnectedness. This is important because, in a field in flux, there may be several institutional 'positions', or coalitions formed around competing institutions. The field-level variable "interconnectedness" obscures the idea of coalitions in a field in flux while "ties" does not. Furthermore, even in a stable, densely connected field, one organization may be much more connected to the dominant coalition or to the stakeholder in question than another. A field level measure of interconnectedness would not differentiate between the two firms, while the concept of ties would. Therefore, using the variable 'ties' instead of 'interconnectedness' not only improves the model's ability to deal with firm-level pressures for *both* change and

[15] Oliver's constituent variable, resource dependence, is also incorporated in this section of the model, since it is a measure of stakeholder power over the focal firm.

conformity, but also improves the model's explanatory power for firm-level change even within a stable institutional environment.

3.3.2. Salience of the Influence Attempt

The *salience of the influence attempt* is strongly affected by the salience of the stakeholder, but is also affected by the characteristics of the influence attempt itself. A highly salient stakeholder may not have to act at all to influence a firm – the firm will anticipate its needs and adapt accordingly. On the other hand, a stakeholder with low salience must work hard to get its influence attempt noticed. One way to do so is to issue strong influence attempts. Influence attempts are strong to the extent they are *persistent* (Starbuck & Hedberg, 1977), *distinctive* or of high *magnitude* (Fiske and Taylor, 1984; Fligstein, 1990; Hoffman, 1999; Starbuck & Milliken, 1988; and Weick, 1995), or to the extent that they are perceived to be *proximate* to the firm or respondent. Proximity can be based on locale, function, social relations, or on any basis of identification (Strang & Meyer, 1993).

The salience of the influence attempt is also conditioned by contextual variables including the *multiplicity of demand*[16] and *uncertainty.* The multiplicity of demand is defined as "the degree of multiple, conflicting constituent expectations exerted on an organization" (Oliver, 1991: 162). It usually increases *uncertainty,* which generally acts to blur the focal firm's field of vision and to decrease the salience of any given influence attempt. Other factors will increase uncertainty as well, such as turbulent economic conditions, changing technology or political instability. Because organizational attention is limited (Simon, 1947), when the institutional

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[16] While Oliver defines multiplicity as a constituent variable, I include it as part of the context, since it forms the backdrop against which any given demand is assessed. Furthermore, the interactions of multiplicity and uncertainty suggest that these variables should be considered together.

environment features uncertainty or demand multiplicity, influence attempts that would otherwise be salient may be less so.

3.3.3. Individual and Organizational Interpretive Frames

Once an influence attempt is salient to a firm, the possibility for a response exists. Influence attempts are interpreted by those who must respond to them through both *individual and organizational interpretive frames.* Recall from the discussion above that institutions are embedded in individuals' interpretive frames. Thus interpretations of both issues and potential responses will be conditioned by the institutional contextin which the influence attempt occurs (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Tolbert & Zucker, 1983), by the firm's dominant logic (Bettis & Prahalad, 1995; Fox-Wolfgramm, et al, 1998; Prahalad & Bettis, 1986) and existing institutions within the firm (Barley & Tolbert, 1997; Greenwood & Hinings, 1996), and by the respondent's prior interpretive frame (Ocasio, 1997).

"Institutions set bounds on rationality by restricting the opportunities and alternatives we perceive, and thereby, increasing the probability of certain types of behaviour. However, just as perfect rationality is rare, so too is completely bounded rationality. Through choice and action, individuals and organizations can deliberately modify, and even eliminate, institutions." (Barley & Tolbert, 1997: 94).

Some respondents will have interpretive frames that differ from those prevalent within the field, especially those respondents that come from outside the field (Cliff, 2000; Hoffman, 1999; Kraatz & Moore, 2002), marginal field members (Powell, 1991; Leblebici, et al., 1991), actors disadvantaged by existing institutional arrangements (Leblebici, et al., 1991; Oliver, 1991; 1992), and actors with different values (Greenwood & Hinings, 1996; Lawrence & Lorsch,

1967), sometimes as a result of their holding multiple field memberships (Oliver, 1992). In addition, some individuals will be more characteristically open to new stimuli, enabling them to act as institutional entrepreneurs (Beckert, 1999; Gaglio, 1997; Venkataraman & Shane, 2000). Boundary spanners also have access to a different range of information and relationships than other individual actors within organizations, and they are thus more likely to be aware of stimuli that diverge from institutionalized interpretive frames (Barley & Tolbert, 1997; Greenwood & Hinings, 1996; Thompson, 1967).

Through individual and organizational interpretive frames, the respondent to an influence attempt interprets it, considering cause, content and control (Oliver, 1991). Cause refers to whether or not the action requested increases or decreases the social or economic fitness of the organization. Content refers to whether or not the action requested is consistent with organizational goals and norms and if it imposes constraints on the organization's discretion. Control refers to the degree of coercion associated with an influence attempt (i.e., how much leeway does the organization have in responding to the attempt), and to the degree of voluntary diffusion already associated with the requested action (i.e., is everyone else doing it?). The interpreted demand is also linked with one or more of a set of responses in the organizational repertoire (Ocasio, 1997; Cyert & March, 1963; March & Simon, 1958; Simon, 1947), or within the set of responses an individual respondent has in his/her repertoire. The degree of salience of the influence attempt will impact the timing and nature of a response, such that highly salient responses are likely to be responded to more quickly and more significantly.

Overall, the model suggests that characteristics of the stakeholder, the influence attempt, the context and the respondent interact to impact the chosen response. In the next section, the methodology is described, followed by the presentation of data segmented into seven time

periods during which different stakeholders attempted to influence MB. Characteristics of the stakeholder, the influence attempt, the context and the respondent are presented in each case. The data are presented to refine, confirm and challenge the model, and to illustrate its constructs and relationships with concrete empirical examples (Lawrence, 1999).

3.4. Methodology

3.4.1. Data

The dataset for this chapter consisted of 1) the narrative in Appendix 2, 2) the set of all interviews of MB managers, 3) the Stanbury chronologies, and 4) prior academic or public press reports. These are described in detail in Chapter 2.

3.4.2. Analysis

To conduct the analysis, I began with early abstractions from the data in the form of narratives and lists, and gradually moved to more and more abstract forms. Categories emerged from the data and were tabulated into influence attempts, which were then linked with MB's responses in causal chains. The data were listed chronologically, then segmented (for presentation purposes) into seven periods based on qualitative shifts in MB's responses to influence attempts. Through recursive iteration between data and theory, variables were then identified and linked in a model. The model was refined via an additional pass through the influence attempt data.

3.4.2.1. Categorizing and Tabulating

To begin the analysis, the narrative in Appendix 2, the event and activity listing discussed in Chapter 2 and my own grounding in the data were used to group and categorize related influence attempts based on particular issues. All influence attempts related to conflicts over the preservation or logging of specific locations were grouped into categories based on their location (e.g., Meares Island, South Moresby, Carmanah Valley, Walbran Valley, Tsitika Valley, Clayoquot Sound, etc.). Meares Island, South Moresby, Carmanah, and Clayoquot Sound were selected for further analysis since they were representative of the types of influence attempts of other valley campaigns, and also included some distinct influence attempts that seemed to significantly condition MB's responses. Influence attempts that did not focus on specific locations were compiled in a category of "Supra-Valley Moves."[17] These were further subcategorized into customer campaigns, government actions, clearcutting phase out, and expansion of the campaign to the entire BC Coast.

These categories were put into tables that indicated the date, the actors, the targets of the action, the actions that took place, and the responses to those actions. These tables were then compared to interview accounts, public accounts via presentations and conferences, websites, internal documents and prior academic accounts to cross-check the influence attempts as listed and to look for errors of omission. Additional data sources validated the influence attempts as reported, supplemented the list of influence attempts by adding some additional ones that were not covered by the press, and enabled me to fill in the responses to the influence attempts.

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[17] Many of the locations were valleys, and the conflicts came to be known as the "valley-by-valley" conflicts.

3.4.2.2. Identifying Responses to Influence Attempts

Narratives of each of the categories were constructed, with a focus on the causal chains of influence attempts and response. Based on the causal chains, variables that appeared to have an impact on MB's responses were drawn from the data. I paid close attention to the perceptions of participants at this phase of the analysis, going back through raw interview data to affirm and challenge my perceptions of important variables and to collect quotations as evidence.

Responses to the influence attempts were judged based on several criteria: 1) MB managers claimed (either publicly or privately) that a particular response was linked to a stakeholder influence attempt, 2) other knowledgeable observers claimed a response was associated with an influence attempt, 3) the influence attempt and the response seemed to be related in nature, and/or 4) responses followed the influence attempt closely in time. For example, the call for an international boycott was closely followed by a) an international public relations campaign that emphasized that logging in BC was environmentally responsible tree farming, meeting the fibre needs of the world, and b) increased customer relations. I had most confidence when criteria one was met since it reflected managers' own accounts of their causal interpretations. When criteria two alone was met, I sought corroborating evidence, since lenses differ across actors. When neither criteria one or two were met, both criteria three and four had to hold in order for me to link the influence attempt and the response.

Responses were classified by Oliver's (1991 five response types: manipulate, defy, avoid, compromise and acquiesce. A sixth category, 'innovate', was added, consistent with the environmental literature (e.g., Post & Altman, 1992; Schot, 1991).

3.4.2.3. Segmenting the Data into Periods

The data were then segmented into seven periods of time based on points at which MB's responses to external pressures seemed to undergo a qualitative shift. Specifically, in period 1, MB typically dismissed pressures from environmentalists and First Nations. In period 2, MB responded strategically to those pressures, defying them and attempting to manipulate others' perceptions of the pressures. In period 3, MB attempted to respond compliantly to the environmental requests of the public and government, though the company maintained some of its earlier defiant and manipulative routines. In period 4, MB began negotiating with environmentalists and First Nations, but buffered its responses from mainstream operations. In period 5, MB announced a radical shift in its environmental policy that affected all forestry operations in BC, and adopted a go-it-alone strategy with respect to the rest of the industry. In period 6, MB formed an alliance with other large industry players to negotiate in secret with environmentalists and seek longer term solutions. In period 7, the forest companies and environmentalists brought other stakeholders into the negotiation process.

Each period represented a time frame in which one or two of the categories previously described were dominant. The first time period (1979-1987) included two categories: Meares Island and South Moresby, since the campaigns overlapped in time considerably and involved similar influence attempts and responses. Environmentalists' success in these campaigns led MB to consider environmentalists to be more powerful in the following period, thereby raising their salience as a stakeholder. Period 2 (1988-1991) involved the Carmanah Valley campaign. Environmentalists' threat of an international boycott at the end of this period, coupled with the election of a socialist government that had a green agenda, raised the uncertainty in MB's context. Instead of responding differently, however, MB responded more intensely using the

same types of responses in Period 3. Periods 3 (1991-1994) and 4 (1994-1997) involved the battle for Clayoquot Sound contemporaneously with customer campaigns. These campaigns were split into two periods because they contained two distinct inflection points in terms of MB's response. The end of period 3 was demarcated by a contract cancellation by Scott Paper UK, which followed 700 arrests of environmental protesters in Clayoquot Sound. The hiring of Linda Coady to handle public affairs at this time changed the nature of responses in period 4, since Coady opened the company (subversively at first) to environmentalists' voices. The end of period 4 was marked by a change in leadership at MB after a shareholders' revolt. The company's existing institutions changed considerably during the 18 month turnaround phase. Period 5 (1998) involved MB's announcement of the phaseout of clearcut logging, which was praised by environmentalists, but followed by an industry and Forest Alliance backlash. The glory was short-lived, however, as environmentalists resumed their adversarial stance later in 1998, broadening their campaign to all coastal forest companies, including MB. This drove the establishment of a coalition through which coastal forest companies coordinated their responses and commenced negotiations with environmentalists in period 6 (1998-2000). In Period 7, stakeholders including the provincial government, First Nations, forest workers' unions and forest-dependent communities lashed out at the coalition of forest companies and environmentalists, calling for their own place at the bargaining table.

3.4.2.4. Identifying Variables and Refining the Model

I iterated through theory and data recursively during the analysis, questioning existing theory with the data, generating new insights, and guiding the construction of the model of responses to stakeholder influence attempts. Once the model was constructed, I made another

pass through each of the influence attempts to assess how well the model held through each, and to identify examples of the constructs in the model. Refinements to the conceptual model were added at this stage.

In the next section, the model is illustrated in the context of MB's responses to stakeholders' influence attempts.

3.5. Data Analysis

3.5.1. Period 1 (1979 to 1987): Meares Island and South Moresby

Two campaigns initiated by environmentalists and First Nations epitomize the early interactions between MB and its critics, and will be treated together. MB's response to both campaigns was similar: the company treated the environmentalists as fringe law-breakers, defended its rights in court, and referred to the government's authority as justification for its own unwillingness to negotiate.

3.5.1.1. Meares Island

From 1979 through the early 1980s, a local environmental group (Friends of Clayoquot Sound) and First Nations bands protested logging at Meares Island in Clayoquot Sound, blockading access routes for logging equipment. Local area managers, already overburdened with working around blockades and running the day-to-day operations of their units, had the responsibility for stakeholder consultations and relations layered on top of their existing duties. They obtained injunctions against the blockades and had some protesters arrested. Senior managers allocated few resources and limited attention to the protests.

The Clayoquot and Ahousat First Nations declared Meares Island a Tribal Park, positioning themselves for legal action. In response, the provincial government created the Meares Island Planning Team, a multistakeholder group designed to develop some land use recommendations. MB backed out of the planning team in 1983, saying its interests were not being served. The Meares Island Planning Team made its recommendations, but the provincial government ignored them, and approved logging in Meares Island in 1984. First Nations Chief Charlie Watts publicly asked for a meeting with MB CEO Ray Smith. Smith declined, saying he'd be happy to have a coffee with the chief, but that the government, not MB, made land use decisions (Raizada, 1998). First Nations responded by obtaining an injunction in 1985 via the BC Court of Appeals to prevent logging at Meares, using their unextinguished land claims to gain standing in court. MB and the provincial government together appealed the decision to the BC Supreme Court, but lost. MB then complied with the injunction, and sought compensation for lost cutting rights from the provincial government.

In his President's Address to MB's 1985 annual general meeting, Smith framed the external pressures using an economic metaphor, showing a lack of acknowledgement of the non-economic values underlying the protests.

> "Too many single interest groups are demanding too much from the forest resource. What is wrong and what disturbs me and what has built up unbearable pressure on MB is the relentless hot pursuit of each interest group of a bigger portion of the pie".[18]

He also downplayed the environmental movement by portraying it as fragmented and heterogeneous in its demands:

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[18] From the President's Address at the Annual General Meeting, as quoted by the Vancouver Sun, March 28, 1985.

"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. A third group has its 'because it's old it can't be used' point of view. There's an almost limitless meridian of different single causes, most of which don't agree with each other, so to try to bring this all together and to try to find a middle ground is very difficult, if not impossible."[19]

Smith did not specifically refer to the Meares' Island conflict, despite the fact it was a national media issue by this point. He also didn't mention it in the 1984 or 1985 annual reports.

3.5.1.2. South Moresby

The battle over South Moresby Island began in the mid-1980s. Environmentalists and Haida First Nations staged blockades of logging roads, obtaining compelling television coverage of the Haida opposing the logging of their ancestral lands (Vancouver Sun, July 11, 1991). Again, MB managers obtained injunctions against the protestors and had them arrested. The experience of Meares Island had taught environmentalists and First Nations allies that the BC Government would act in support of logging companies. In South Moresby, Environmentalists and the Haida approached the Federal Government for assistance. By this time, public support for environmentalists' positions had grown significantly, while forest companies were increasingly not trusted (Stanbury, 2000; Watt, 1990). All three federal political parties endorsed the creation of a park in South Moresby, and the federal government pressured the provincial

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[19] Ibid.

government to comply. It did, and cooperated in creating the Gwaii Haanas/South Moresby National Park Reserve in 1987. MB stopped logging in the park area and sought compensation for the lost cutting rights from the provincial government.

The influence attempts and MB's responses associated with the early campaigns are summarized in Table 1. For the most part, MB resisted pressures by environmentalists and First Nations, only acquiescing when the government or the courts insisted that they do so.

Table 3.2: Summary of Influence Attempts and MB's Responses in Period 1

Att#	Date	Influence Attempt	MB's Response
1-1	1979-1987	Blockades at Meares and South Moresby	Local level: Arrests (Attack) Sr. Managers: Dismiss
1-2	1982	Meares Island Planning Team stakeholder negotiation	Dropped out in 1983, saying its interests weren't being served (Dismiss)
1-3	1984	Plea by First Nations for stakeholder negotiation	Denied responsibility for the issue; deferred to government (Dismiss)
1-4	1985	Injunction to stop logging in Meares	Fought it to the Supreme Court (Attack) but lost, then complied; sought compensation from the government. Downplayed environmental issues in official communications (Dismiss)
1-5	1987	Creation of Gwaii Haanas/South Moresby park	Stopped logging (Comply) and sought compensation from the government (Compromise).

3.5.1.3. Analysis

First Nations peoples were not particularly salient at the time. Environmentalists also had no power or legitimacy in the eyes of company executives. The latter were seen as overprivileged university dropouts, or unemployed welfare bums who dressed funny, smelled bad, and had a penchant for living in trees for long periods of time. They were derisively called

'tree-huggers', 'barefoot cave-dwellers by the river', 'eco-extremists', 'eco-terrorists' and 'bio-eccentrics'. In the words of two former MB executives, they were also liars:

> "We always felt that the environmentalists didn't need to have truth on their side, just like the unions. They could raise a big enough stink that it didn't matter that they didn't have the facts all right."

> "I don't know whether they lied or they did far worse, what Tennyson called 'delivering half truths', which are very difficult to refute, particularly if you have virtue or seeming virtue on your side."

While the stakeholders' urgency was likely perceived by MB to be high, their lack of power and legitimacy put them in the category of "demanding" stakeholders with low salience – "mosquitoes buzzing in the ears' of managers: irksome but not dangerous, bothersome but not warranting more than passing management attention" (Mitchell, et al., 1997: 875).

The salience of the influence attempts themselves (blockades and the two stakeholder negotiation attempts) was low to senior managers, in part because the stakeholders were of low salience. In addition, senior managers did not see the influence attempts as particularly proximate to MB: local managers dealt with the blockades and were discouraged from discussing them, and stakeholder negotiations were seen as in the government's bailiwick, not MB's. Senior managers were buffered from the direct effects of environmental pressures. Executives said:

> "They blocked our access to logging sites, which was relatively ineffective."

> "When they tried to blockade, we could go and get an injunction to stop them cold."

Environmentalists' demands were also seen as 'flaky' (and therefore of low legitimacy) by company members:

> "I remember this incredible passage in MacLean's where she [environmentalist Elizabeth May] held a crystal to her breast and said she had a vision of South Moresby as a park, and the day after that the band (Haida natives) agreed that it should be a park." (MB executive).

The same executive described a woman who blocked logging operations because she heard the cedar trees singing. *"Singing cedars..."*, he said incredulously. *"Now what am I supposed to do with that?"*

The demand to end clearcutting was also seen as illegitimate, in that it was felt that only those that were ignorant of forest science and ruled by emotion could make such a demand. In addition, the form of the influence attempts, illegal protests, contributed to the perceived illegitimacy.

The perceived legitimacy of the influence attempt is not included in the current model of organizational responses to stakeholders' influence attempts, yet it appeared to have an important effect here. When the influence attempt was considered to be of *low legitimacy* (e.g., the singing cedars), the response was to dismiss the influence attempt since it could not be interpreted given the current interpretive frame. In contrast, influence attempts that were deemed to be *illegitimate* were interpreted. The response to illegitimate influence attempts was moral indignation and resistance when the influence attempt was salient.

Influence attempts are interpreted via both organizational and individual interpretive frames, according to the model. In the case of the protests, we have two distinct respondent groups with different responses: local managers responded by having protesters arrested, while

senior MB managers responded by dismissing the importance of the attempts. These variations in response can come from either differences in interpretation, or differences in the response routines available to diverse individuals or organizations. An executive interviewed in 1996 described it as follows:

> "When you are dealing with issues that become volatile, you are asking people whose background in life is running sawmills or logging operations to deal with these issues, your capacity for response in terms of spectrum is limited by their experience. Their experience is linear, and economic and operational...Suddenly you are asking this group of people to deal with issues that have to do with philosophy and spiritualism and social issues."

Local managers' goals were to ensure the continuity of logging operations: that was their responsibility within the company. Their responses involved doing whatever was necessary to have the blockades removed so that loggers could keep working. Obtaining injunctions and having blockaders arrested became a standard operating procedure. They did not have the resources, the responsibility for, or the authority to come up with more innovative solutions. Local managers would also be motivated not to discuss their problems with senior management because they might be seen as incapable of handling their responsibilities. Senior managers, who could have devoted more resources and authority to the responses, were thus buffered from the influence attempts. The demands were contrary to organizational goals, hurting MB's economic efficiency, and it was not clear that acquiescing would add any social legitimacy to the company. Indeed, given the need to continue logging to ensure jobs and meet government requirements, acquiescing may also have been contrary to MB's social fitness.

Differences in interpretations and responses among respondents in an organization are under-addressed by institutional theory. These will be considered in more depth in Chapter 4.

The context also had an impact. The decision about what land was to be logged had always been made by government and forest companies. The environment looked fairly certain, particularly as a right-leaning government was in power, and the government's economic incentives were aligned with MB on this issue (as were the unions'). While environmentalists and First Nations raised the multiplicity of demand, these groups did not share significant ties with the forest industry while those with convergent incentives did. Thus, we would expect that pressures for change from these groups without ties would be less salient, and more likely to be ignored or defied.

MB's responses *were* to defy environmentalists and First Nations, attacking or challenging them when the pressure was seen as proximate (e.g., local managers had protesters arrested, and senior managers appealed legal decisions up to the Supreme Court), and dismissing them when the pressure was not seen as proximate (e.g., withdrawing from the Meares Island planning team and rejecting the plea for negotiations by First Nations). These responses were part of MB's dominant logic (Prahalad & Bettis, 1986) or institutionalized response set: across most issue domains, MB had a history of attacking challengers through legal means (Raizada, 1998), or dismissing challenges that were seen as too trivial to warrant attack.[20]

MB's responses changed when the court halted logging on Meares Island and when the government declared South Moresby a park. In both cases, MB *acquiesced.* Both the court and

[20] This is similar to the chemical industry's response to the first Earth Day, as described by Hoffman and Ocasio (2001). These authors suggested that industry members did not feel their image and identity were threatened because they did not perceive the Earth Day protests to be legitimate.

the government had higher stakeholder power and legitimacy, making them more salient to MB. The government also shared significant ties.

"The government is the landlord. We are taught to do what the landlord tells us."

In addition, the influence attempts were proximate to MB, and of high distinctiveness. As a result, they were very salient to MB, and there was high urgency to respond. Other constituents could not oppose the strong action by the government and court, so competing demands were not more salient. Organizational goals also favoured an acquiescent response: while it was still economically harmful to MB to give up the rights to cut on Meares and South Moresby Islands, a failure to obey the mandates of the government and courts would have threatened MB's social fitness, and ultimately its survival. Finally, the influence attempts were also considered to be legitimate because they fell within the usual scope of authority of the government and the courts.

Looking in retrospect, MB managers describe being caught off-guard by Meares and South Moresby. The success of these campaigns was very surprising to MB, because the challenges came from 'marginal groups'. MB applied its standard operating procedures to the challenges through both campaigns: attacking where the pressure was proximate, and dismissing where it was seen as trivial. However, the critics' efforts and rhetoric over the years from the late 1970s to the mid-1980s had impacted the public and the government, changing MB's environment. Furthermore, the court sided with First Nations. When the court and government became the source of the pressures, MB was strongly motivated to comply. Watt (1990) called the creation of a park in South Moresby a 'watershed event' that shook the forest industry's confidence that the provincial government would always support it. Up until the South Moresby decision, both industry and government shared the objective of maximizing the rents from the

forest resource. The South Moresby decision diminished those rents. Together, both the Meares and South Moresby decisions raised MB's perception of environmentalists' power and salience, conditioning MB's responses in Period 2.

3.5.2. Period 2 (1988 to 1990): Carmanah Valley

In 1985, a proposal was put forward by environmentalists to have the Carmanah Valley declared a park. By 1988, MB had lost both Meares Island and South Moresby. The company was beginning to see a dangerous pattern in these 'valley-by-valley' conflicts (as they came to be known). MB was not scheduled to log the Carmanah Valley until 2002, however, it stepped up its plans after the South Moresby park creation. In November 1988, MB published a newspaper ad asking for public input on new plans to log the Carmanah Valley in order to fulfill legislated 'public consultation' requirements. A mere 13 days later, the company submitted complete logging plans to the Ministry of Forests, apparently satisfied that public consultation was complete.

The company began roadbuilding in Carmanah in 1989, before the logging plans were approved. The Western Canada Wilderness Committee (WCWC) complained to the government that this was unlawful, and MB halted operations for one month in response. While roadbuilding in Carmanah, MB forest workers discovered BC's tallest tree. Environmentalists promptly labeled it "the Carmanah Giant", calling it a great piece of BC heritage like the great cathedrals in Europe. WCWC produced posters, videos and a coffee table book showing old growth forests before and after they were logged, and began building 'witness trails' into the Carmanah Valley.

In a MacLean's magazine feature, Watt (1990) described MB's response:

> The furor provided MacBlo with a golden opportunity to establish its environmental credentials by creating a forest preserve. Instead, the company badly misjudged the symbolic importance of the Carmanah issue. It went to court to stop the environmentalists from building trails into the area (it says it was worried about liability issues). That move just confirmed people's feelings that MacBlo saw the land as its private fiefdom....
>
> When the company saw the public reaction, it tried to jump on the preservation bandwagon. Its foresters proposed a 90-hectare reserve around the big trees, but in the middle of a 7,000-hectare valley, the reserve looked niggardly, and people told the company so in a series of public meetings. MacBlo upped its ante to 500 hectares, with a 2,000-hectare "special management area" of smaller cut blocks and "viewscape management." But it was playing catch-up, and the public had already made up its mind.

Political pressure began to build. The federal government's environment committee called for a moratorium on logging in Carmanah until an inventory of BC's old growth forests was undertaken. The provincial opposition leader, Mike Harcourt (who became the BC Premier the following year), announced he was opposed to any logging in the Carmanah Valley. In the context of this negative public reaction and the increasing political pressure, MB launched a public relations effort promoting the forest as a renewable resource. MB was also instrumental at this time in funding and launching the Forest Alliance of BC (an industry public relations and lobbying body), and SHARE BC, an ostensibly grassroots organization of citizens who were pro-

logging. SHARE BC groups were most active in resource-dependent communities, and a high proportion of the members were loggers and woodworkers concerned about jobs.

In 1990, the BC government announced it would make half of the Carmanah Valley a provincial park, while the other half could be logged by MB. The government itself highlighted the loss of forest revenue from this decision, while MB highlighted the loss of up to 150 jobs and $7 million in economic output, thereby framing parks creation in terms of job losses. This framing fueled protests and activity by pro-loggers such as SHARE BC groups. In October 1990, WCWC's research station in the Carmanah Valley was destroyed by vandals, but was promptly rebuilt by volunteers.

Environmentalists were not happy with the compromise decision. WCWC pledged to mount a huge campaign to stop logging in any of the Carmanah. The campaign internationalized as Ecoropa (a European environmental group that had previously organized a tropical wood boycott in Europe), and Conservation International (a Washington-based NGO), expressed concern about the issue. The spectre of a boycott of MB's wood was thus raised. MB, the Forest Alliance, and the BC government responded to this threat by planning tours of Europe to promote BC forest products.

3.5.2.1. Analysis

The influence attempts and MB's responses associated with the Carmanah Valley campaign are summarized in Table 2. MB showed more strategic behaviour through the Carmanah campaign (particularly after the South Moresby decision), showing that at least it was beginning to take environmentalists more seriously, as a threat. The environmentalists' salience to MB rose because their power was growing in MB's eyes, although their legitimacy remained

quite low. Environmentalists had shown that they were able to mobilize public support, and thereby convince the government to act in their favour. The courts had also ruled in favour of environmentalists and First Nations against MB. The power of the courts, government and the public had, in a way, reflected onto environmentalists since that power could be mobilized again.[21] Because the government and court's support could not be taken for granted, power was not high but moderate.

Table 3.3: Summary of Influence Attempts and MB's Responses in Period 2

Att#	Date	Influence Attempt	MB's Response
2-1	1985	Parks proposal was put forward by environmentalists.	Stepped up logging plans by 13 years; left too little time for public consultation in 1988; began roadbuilding prior to approval of logging plans in 1989.
2-2	1989	WCWC complained to government about illegal roadbuilding.	Stopped roadbuilding for one month.
2-3	1989	WCWC built witness trails and developed public relations campaign regarding the Carmanah Valley; Public support was strong.	Sought a court injunction to stop trailbuilding; Held public meetings to promote concessions; proposed a 90 ha reserve, then 500 ha with a special management area; Initiated and funded the Forest Alliance of BC and SHARE BC along with PR campaigns.
2-4	1990	Government decided to make half of the Carmanah a park.	Complied, but framed the park as a loss of jobs and revenue (manipulation of the public, unions).
2-5	1990	Threat of an international boycott.	Initiated plans for PR trips to Europe together with the Forest Alliance and the BC government.

The salience of environmentalists' influence attempts was also higher in the Carmanah campaign than it had been previously, in part because the stakeholders were more salient, but

[21] Reflection will be discussed further in Chapter 5.

also because environmentalists' influence attempts were by now persistent, and their underlying demand carried a threat of high magnitude. The emerging pattern in the valley-by-valley conflicts was for environmentalists to chip away at cutting rights: each additional chip made the remainder more vulnerable. If MB were unable to counter the environmentalists' influence with the public and the government, then MB's opposition to the demands would be seen as illegitimate, reducing MB's social fitness.

MB's heightened awareness of the influence attempt made its response more urgent, but not more compliant. MB sought to manipulate its environment by taking control in Carmanah before environmentalists could launch a full-scale campaign. The company attempted to act swiftly to log the Carmanah, and kept public consultation time to a minimum to limit response. Furthermore, MB attempted to shape the perception of environmental pressures by using a public relations campaign to promote the sustainability of logging, and by framing the creation of parks as job and economic revenue losses, increasing union, government and forest-dependent community support. Forest unions were co-opted into support through the SHARE BC groups and the Forest Alliance. The executive director of the Forest Alliance was a former leader of the International Wood and Allied Workers Union (IWA). The government itself became involved in public relations efforts because environmental pressures were framed as threats to the provincial economy.

When environmentalists acted alone (i.e., witness trail building), MB perceived the influence attempt to be illegitimate, and the company reverted to its dominant 'defy' response, taking them to court, as described by an MB Manager:

"the prevailing thought in the company around the Meares and Carmanah episodes was that we had the legal rights to tenure[22] and any diminishment of those rights had to be contestable. Any diminishment of timber-driven economics for the sake of non-timber values[23] or assets was against the interest of the people in B.C. because of the diminishing ability to create wealth. So production and cost was the driver ... we were pretty stubborn, we could go to court and fight everything. We got into a huge brawl at Carmanah. We took a very legalistic approach, fought like hell not to have our tenure diminished."[24]

However, the public support for the preservation of the Carmanah, as reflected in the media, required more delicate handling. The Carmanah Valley was public land, and as a result, the public legitimately had some say in how it was logged (the perceived legitimacy of the public's influence attempt was moderately high). As pressure grew, MB attempted to placate the public through public meetings and through the offers to preserve some parts of the valley (compromise response).

"One thing we know and that we knew many years ago: we cannot win a communications game against environmentalists."

When government, the most powerful, legitimate and therefore salient stakeholder at the time, was pressured by WCWC to take action on MB's premature roadbuilding, MB voluntarily stopped, anticipating a regulative action by the government. When government mandated the preservation of half of the Carmanah Valley, MB complied with the decision, though attempting to manipulate its perception through economic framing.

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[22] Tenure is the term given to a long-term timber license granted to a company for a particular area.
[23] Non-timber values is a term used to describe any interests others have in the forests aside from timber interests, for example, recreation, salmon spawning grounds, wildlife habitat, biodiversity, or aesthetics.

While the model suggests that the context impacts MB's assessment function, MB's actions to activate other stakeholders can be seen as an effort to change its context through the manipulation of the multiplicity of demand. As uncertainty rose in the environment, MB appealed to the groups with which it had ties in order to stimulate their demands, which were more consistent with MB's own, at least with respect to environmentalists. Thus, the framing of the Carmanah decision as a loss of jobs and economic revenues and the creation of the Forest Alliance and the funding of SHARE BC groups, were ways for MB managers to build and strengthen a pro-logging coalition as a counter-force to the anti-logging coalition headed by environmentalists. In particular, the jobs issue was sure to play well with both unions and forest-dependent communities, who could both be expected to exert political pressure against environmentalists in the 1991 provincial election. These framing efforts by MB were designed to manipulate the multiplicity of demand in the environment.

Multiplicity of demand has heretofore been considered exogenous to the firm, a characteristic of the context. This analysis suggests that the multiplicity of demand is actually a strategic variable, subject to the manipulation of the organization or its stakeholders. Environmentalists' efforts to raise the concern of the public about environmental issues can also be seen as a manipulation of the multiplicity of demand.

Interestingly, the beginning of a more innovative response to environmentalists' pressure surfaced in Carmanah, but was quickly squashed when presented to the government. An MB manager described finding an economically fit way to respond to environmentalists' distaste for clearcutting and roadbuilding:

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[24] From a 1999 interview with an MB executive.

"In Carmanah, I sat with a fellow and we just amusingly said, 'Why are we fighting? It's a narrow valley, we have roads on either side and the ridges are fairly gentle. You could bring a road to the top of the ridge and create a landing.' We created quite a scenario: you could bring in a great big helicopter ... He made a proposal to the government: what we'll do is go in, take small pockets of timber, no roads, bring it from where it is to the ridge top, load it on a truck and away you go. Anyway, that got absolutely nowhere."

A few MB employees had ideas for change, and some had invested effort into understanding the perspectives of environmentalists. Senior managers paid more attention to environmentalists and took the threat of their demands more seriously than they had in Meares and South Moresby, though they continued to take a hardline, defiant stance in public responses to the pressures. In 1989, a person who had had some success in dealing with environmentalists was promoted to Chief Forester at MB in a controversial decision. Previous Chief Foresters had been promoted based on technical skills, but this individual was promoted based on his social skills (Pinfield, 1995).

The environmentalists' threat of an international boycott in response to the Carmanah decision was a highly salient influence attempt, given its proximity to MB's core business area, the potential threat involved in such an action, and its distinctiveness. While it was perceived to be illegitimate, the salience of the attempt motivated a response. Again, MB attempted to manipulate its environment by initiating plans for public relations trips to Europe together with the Forest Alliance and the BC government. The threat of an international boycott had the effect of raising the uncertainty in the context. The election of a socialist NDP government based on an

environmental platform in 1991 only intensified the uncertainty, motivating a qualitative change in MB's responses through the next time period.

3.5.3. Period 3 (1991 – 1994): Clayoquot Sound, the Mother of all Conflicts

As the battle for Clayoquot Sound took shape, MB managers were feeling beleaguered by the persistence of environmentalists' campaigns, which now extended for more than a decade, and which only seemed to intensify over time. Parts of Clayoquot Sound had been in conflict before; Meares Island was located in Clayoquot, and it experienced some of the earliest pressures for preservation. Sulfur Passage in Clayoquot Sound was seen as 'environmental holy ground', as it was one of the first protest sites.

The Clayoquot Sound Sustainable Task Force, formed by the Social Credit government in 1989, had experienced considerable conflict in its stakeholder consultation process. In 1991, a number of environmentalists had walked out of the process, claiming it was wrong to continue logging while the talks were underway. In January, 1992, the BC Chief Forester reduced cutting rights for the companies in Clayoquot Sound. Later that summer, 66 protesters were arrested at a blockade. Community forces (especially SHARE BC) were threatening backlash, and at times, instituted counter-blockades.

By August, 1992, the Clayoquot Sound Sustainable Development Steering Committee (as it was renamed under the NDP government) produced a majority report suggesting that 32% of the land base should be used for forestry, 28% should be preserved in parkland, and 40% should be free of logging but open to other development. This report was supported by 11 of the 14 groups involved. The mining and tourism industries were opposed, as were the Nuu-Chah-Nulth First Nations, who wanted their treaty claims resolved, and were interested in long-term

sustainable development, but no more parkland. When the committee could not reach consensus by October 1992, the decision was turned over to cabinet.

Clayoquot Sound assumed 'totemic importance' to environmentalists, according to a Western Canada Wilderness Committee (WCWC) leader. A coalition of environmentalists began to internationalize the issue in January 1993, placing a full-page ad in the New York Times which sought international support for preservation of the Sound. Robert F. Kennedy Jr. of the Natural Resources Defense Council wrote an editorial trying to persuade the BC government to stop logging in Clayoquot, and WCWC proposed that all of Clayoquot be designated a UN biosphere reserve.

In March of 1993, 200 protesters broke through the doors to the BC legislature in support of Clayoquot Sound. There was vandalism in Clayoquot: an MB crew boat, and the crab boat of a local town councilor who supported the forest industry were both burned.

In April 1993, Premier Harcourt announced the Clayoquot Sound cabinet decision: 45% of the area was to be designated for logging, 33% as parks and 17% was to fall under special management guidelines, with the remaining 5% (Meares Island) subject to a court decision initiated by First Nations. More environmentally sensitive logging practices were mandated in Clayoquot: selective tree-cutting, smaller cut-blocks[25] and aerial logging.

The environmental groups declared war, saying "the NDP has betrayed the environmental movement of this province, and they're going to pay for it... I think the time may have come for an international boycott of MacMillan Bloedel", [26] "we will spike trees and we will attack logging equipment, and we will defend the natural integrity of Clayoquot Sound".[27] Chief

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[25] A cut-block is an area which has been approved for logging.
[26] Colleen McCrory, Valhalla Society, cited in "War of the Woods Vowed" (1993).
[27] Paul Watson, Sea Shepherd Society, cited in "War of the Woods Vowed" (1993).

Francis Frank said that natives would take the necessary steps to ensure that logging in Clayoquot was halted until their land claims were clarified.

And so began Clayoquot Summer. Environmental groups trained supporters in civil disobedience tactics. On Canada Day (July 1, 1993), Greenpeace demonstrations were held simultaneously in 11 countries and in several cities across Canada. Demonstrations were held at MB and Interfor's head offices and annual meetings. MB, the principal tenure holder in Clayoquot Sound, published a two-page ad in the Vancouver Sun on June 29th and July 7th, 1993, saying

> "The Clayoquot Sound Compromise is a result of four years of intensive community negotiations. MacMillan Bloedel accepts its responsibility to make the compromise work. This is how MacMillan Bloedel is responding to logging road blockades in Clayoquot Sound:
>
> 1. Extend an open invitation to protest leaders to meet with MB representatives to discuss concerns and work toward solutions.
> 2. Where practical, temporarily re-assign our work crews to other areas or special activities.
> 3. Consult with the local community on how best to handle the situation and proceed to implement the Clayoquot compromise.
> 4. Coordinate our activities with the RCMP and the Attorney General's office to ensure the safety of the public, our workers, as well as our property and equipment.

5. When necessary, obtain and ask the police to enforce court injunctions allowing road blockades to be removed."[28]

Yet the environmentalists protested. There were protests at embassies and MB's customers abroad, and a boycott of wood products from Clayoquot Sound was declared. Blockades were held on the road leading to the Sound, and a 'peace camp' was constructed there by environmentalists. An MB bridge was burned, and Friends of Clayoquot Sound members were charged with arson. Concerts were held, celebrities endorsed the protests, and thousands came out to protest. A counterblockade was mounted by community groups that supported the 'Clayoquot Compromise' position of the BC government. Vandalism and harassment was rampant on both sides, and one logger was charged with assaulting a protester.

Over 800 protesters were arrested that summer for contempt of court, after they refused to heed the injunction against the blockade that MB had been granted by the court. It was the largest incident of civil disobedience in Canadian history (Boutilier & Svendsen, 2001), and the public and international reaction to it was embarrassing for both MB and the BC government. The BC government responded to the negative reaction to its decision by forming the Clayoquot Sound Scientific Panel in October 1993, made up of 15 scientists, four members of Nuu-Chah-Nulth nations, and an observer. This panel was to study the ecological attributes of the Sound and make recommendations regarding what and how to log. The government also gave increased powers to First Nations to make decisions in Clayoquot. MB continued with its typical defiant behaviour: the company launched a lawsuit against Greenpeace for damages relating to trespass, nuisance and conspiracy to try to recover costs incurred as a result of the blockades.

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[28] *Vancouver Sun,* July 7, 1993, A6-7, as cited by Stanbury (1993: July 7).

Environmentalists broadened their tactics. They distributed a handout listing 25 MB convictions for environmental violations since 1969.[29] They initiated a public relations campaign in Europe and invited European journalists, politicians, environmentalists, and customers of MB to take helicopter tours of clearcut sites. MB responded by providing a 7-hour helicopter tour of Clayoquot Sound for TV journalists. Environmentalists proposed that Clayoquot Sound be made a UN biosphere, or added to Pacific Rim National Park. They produced documentaries, coffee table books, protest songs and a play.

A key change that began in concert with the action at Clayoquot was the focus on 'market campaigns': the international boycott took shape as customers of MB were directly pressured to stop purchasing wood from Clayoquot Sound and MB. Pressure came via protests held at customers' corporate offices, and through letters and meetings in which environmentalists pointed out that MB's customers' own image with consumers would be targeted. In December 1993, four German publishers announced, at the urging of Greenpeace, that they would ask their suppliers to provide them with paper that did not contain clearcut wood. MB directly lost business in 1994 when Scott Paper UK did not renew a contract with MB. Greenpeace produced a television commercial which depicted Scott Paper's kitten pushing a roll of toilet paper around a rainforest clearcut site, as well as mail outs to consumers and shelf-stickers (designed to put on grocery store shelves), announcing a boycott of Scott's products (Stanbury, 2000). These items were not released, but shown to the executives at Scott, who agreed to publicly announce they were not renewing a contract with MB due to MB's practice of clearcutting old growth rainforests.

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[29] The Ministry of the Environment launched an investigation of MB's logging practices in Clayoquot Sound in October 1993, citing stream erosion and blocking as a concern, after the Sierra Club led ministry staff to the sites. MB was charged in 1994.

MB responded to these multiple influence attempts (e.g., environmental groups, activists, communities, customers) in a number of ways. As indicated in their newspaper statement above, MB participated in a number of town hall meetings with the communities involved. In 1992, MB executives met with WCWC leaders but found there was little common ground. WCWC leaders said they would not attend such a meeting again.[30] In response to the blockades, as mentioned above, the company had protesters arrested and sued Greenpeace for damages. MB staff (and BC Government officials) made regular public relations visits to Europe to promote MB's (and BC's) forest practices.

MB responded to Scott Paper UK's contract cancellation by saying: "we don't view this as a cancellation ... it is a suspension or a postponement until Scott can assure itself that our practices in Clayoquot Sound are up to world standard."[31] It also published a full-page ad in the Vancouver Sun with the following text:[32]

> **When Greenpeace Threatens Our Customers It's Time to Take a Stand**
>
> Unable to convince a majority of British Columbians to support its position on Clayoquot Sound, Greenpeace International has targeted MacMillan Bloedel's customers abroad. Scott Limited in the U.K. recently canceled a $5 million pulp contract with us after Greenpeace threatened to deface Scott's products in stores across Britain and subject them to a damaging advertising campaign.
>
> Greenpeace should get the facts straight.
>
> Science and an open domestic process have created a balanced land use plan for Clayoquot Sound.

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[30] *Globe & Mail*, April 4, 1992, p. B22, as cited by Stanbury (1992: April 4).
[31] MB representative Scott Alexander, quoted in the *Vancouver Sun*, January 31, 1994, pp. A1, A2, as cited by Stanbury (1994: January 31).

- Large scale clearcutting has been banned – special areas preserved.
- Less than 1% will be logged in any given year – all of which will be reforested.
- Stringent environmental standards are being developed by an independent panel of scientists.
- First Nations and local community representatives will play a lead role in managing the area and overseeing logging.
- BC's new Forest Practices Code means tougher enforcement of environmental standards.
- New provincial land use planning processes will ensure that British Columbia exceeds United Nations standards for preservation of old growth and biodiversity.
- Clayoquot Sound could be a showcase for sustainable use of natural resources that all Canadians can be proud of.

Things are changing in BC's forests and we welcome Scott Limited's initiative to come and get the facts for themselves. We're proud of what we do at MacMillan Bloedel. We deplore Greenpeace's strong-arm tactics. We are determined to protect our international reputation and all those who depend on us – our employees, our shareholders and our customers.

It's time for Canadians to stand up to intimidation and unreasonable attack. MacMillan Bloedel has accepted responsibility for change. We challenge Greenpeace to do the same.

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[32] *Vancouver Sun*, March 7, 1994, p. A7, as cited by Stanbury (1994: March 7).

In addition, MB contacted Scott Paper Canada, which publicly announced that it continued to purchase MB products, and published an ad in the Vancouver Sun that concluded by saying: "Boycotts are not solutions to complex problems and British Columbia will not tolerate them."[33]

Table 3.4: Summary of Influence Attempts and MB's Responses in Period 3

Att#	Date	Influence Attempt	MB's Response
3-1	1991	Environmentalists walked out of the Clayoquot Sound Sustainable Development Steering Committee	MB continued with the committee and agreed to a majority decision, then promoted the decision as one based on extensive consultation.
3-2	1991-1994	A 'peace camp' was established at Clayoquot featuring daily protests and road blockades.	Over 700 protesters were arrested in Clayoquot. A lawsuit was launched against Greenpeace to attempt to recover costs due to the blockades.
3-3	1992	WCWC leaders met with MB executives but found little common ground.	Attended the meeting, but showed little willingness to compromise.
3-4	1992-1994	Public Relations: Environmentalists called for an international boycott, proposed Clayoquot be made a UN biosphere, held celebrity media events, produced documentaries, invited influential Europeans to view logging sites, and protested at MB's customers.	Public Relations: domestic and international campaigns were initiated to promote forestry; helicopter tours over logging sites were conducted for journalists.
3-5	1994	Scott Paper UK and Greenpeace announced that Scott Paper UK would no longer purchase pulp from MB.	MB published an ad defying Greenpeace and asked Scott Paper Canada to do the same. Coady was hired and promoted to VP, Environment in 1994 to handle customer and environmentalists' concerns.

[33] *Vancouver Sun,* March 11, 1994, p. A17, as cited by Stanbury (1994: March 11).

A VP, Environment was appointed to deal with both customers and environmental groups in 1994. Initially, Linda Coady had been hired as Director, Public Affairs. She was well connected to the NDP government and it was likely that she was hired with the idea that she would ease government relations and continue the public relations campaign. However, Coady quickly concluded that MB lacked a "green voice" within the company, and as a result, was not responding appropriately to environmental pressures. The Clayoquot debacle and the increasing concerns of customers who were being pressured by environmentalists supported her assessment.[34] Coady became that voice with her promotion to VP, Environment (shortly after the Scott Paper incident took place), reporting directly to President and CEO Bob Findlay.

The battle for Clayoquot Sound was important for MB both economically (it concerned approximately 10% of the company's annual harvest and was estimated to be worth $6M in annual profits to the company[35]), and symbolically, since it was perceived by managers that a loss in Clayoquot would lead to further losses elsewhere. Associated influence attempts and MB's responses to them are summarized in Table 3.

3.5.3.1. Analysis

The power position shifted in the Clayoquot Sound campaign. Environmentalists were the ones that walked away from the bargaining table, while MB stuck it out to try to find a solution to the ongoing problems. The threat of international boycott action became more tangible each year from 1991 to 1994, and customer requests for information flooded the company. Environmentalists had won legitimacy with some of MB's international customers (or

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[34] In May 1994, three days after assuming her position, a Texas customer called Coady, asking if MB was "dialoguing with the people up there because, sweetie, if you're not, that's probably the reason I'm having to do it for you." *Vancouver Sun,* November 19, 1994, p. H1, H10, as cited by Stanbury (1994: November 19).

their customers), and media coverage was extensive. While MB still considered environmentalists to be using illegitimate methods (illegal protests and intimidation of customers), the company could not ignore that government and customers (who were both powerful stakeholders to MB) had set a place at the table for environmentalists. Environmentalists' power had thus risen in the eyes of MB managers, as had their salience.

The influence attempts themselves were also highly salient. They were persistent and of high magnitude (700 arrests and thousands of protesters). They were proximate to MB since they were targeted directly at MB, and since both local and senior managers were involved. In fact, they impacted all members of MB because of their prevalence in the media and their appearance through multiple channels including customers, journalists, government, celebrities, and international publics. MB's social fitness was highly threatened, and the economic implications of the loss of Clayoquot and the loss of market access due to the boycott were serious, and thus MB had to respond.

Up to 1994, environmentalists had MB's attention, but not its cooperation. Influence attempts continued to be perceived as illegitimate, motivating moral indignation and defiant responses. The continued arrest of protesters, the lawsuit against Greenpeace, and the ad deploring Greenpeace's 'strong-arming' of Scott Paper were actions typical of MB's defiant stance, and showed that the company's interpretive frame had not changed. MB continued to fight using public relations, claiming that environmentalists were misrepresenting the facts. While MB responded to its changing environment by changing some of its behaviours (attending town hall meetings, continuing with the stakeholder consultation committee and even meeting

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[35] *Vancouver Sun,* September 4, 1993, p. A3, as cited by Stanbury (1993: September 4).

with an environmental leader), the company's interpretations of the issues had not changed significantly, and so representatives appeared resistant in meetings.

The context had become increasingly complex during this time period. BC residents tended to support the Clayoquot Compromise, and more concerns about forestry jobs were surfacing. International interest in Clayoquot intensified, and many new groups entered the issue domain (e.g., celebrities, EU and US politicians, various customers, international ENGOs, etc.). The Forest Alliance and SHARE BC were becoming more militant in their opposition to environmentalists. The BC government responded both to environmentalists' demands to create more parks, and to forest companies' demands to promote BC wood products as environmentally sustainable in Europe. Uncertainty was therefore high, as was multiplicity of demand. MB's ties were primarily focused on industry, government and pro-logging groups at this time, strengthening MB's resistance to environmentalists' demands. MB and environmentalists were not yet talking to each other in any significant way, though each was busy building ties to other actors in the organizational field, strengthening their own coalitions. The government, with which both MB and environmentalists shared ties, was taking some pro-logging actions and some pro-environmentalist actions, adding to the uncertainty in the environment. Yet MB continued to act as it had in more certain environments:

> "No one, industry or government, expected [Clayoquot Sound] to become the international icon that it did." (1996 interview with MB executive).

The executive went on to say that MB officials presumed Clayoquot would be like the other valley campaigns, focusing on a particular area, with pressures remaining local. The legacy of Clayoquot was the internationalization of forest-related environmental wawareness. However, MB had not forseen this, or the possibility that the environmental campaign would activate its

customers. In a way, the inability of MB's officials to note these changes in emphasis is surprising, since each campaign had shown escalation in tactics by environmentalists, and Carmanah had provided hints of the internationalization to come. Yet MB respondents continued to look backward at their experiences with prior campaigns instead of reacting appropriately to new demands and tactics or anticipating environmentalists' coming moves.

By 1994, the customer actions and the aftermath of the 700 arrests in Clayoquot acted as a 'wake-up call' for MB:

> "[Clayoquot Sound] has had a seminal impact on the company's thinking. We've learned the hard way that the technical, scientific, factual and economic answers don't represent the full equation any more. There are social, political and even philosophical and psychological dimensions to these issues and how the company needs to respond to them. And nowhere was that more clearly demonstrated than in Clayoquot Sound... The campaigns are mythic and emotional and in a male-dominated, technical-based company, people just didn't know how to deal with that."[36]

With Coady's appointment, MB's responses to environmental pressure began to change – because the company had to respond to more threatening influence attempts, because power shifted at MB to allow green voices to be heard at the executive level, and because of the personal characteristics of Coady herself.

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[36] MB Environmental Affairs VP Linda Coady, quoted in the *Vancouver Sun,* November 19, 1994, pp. H1, H10, as cited by Stanbury (1994: November 19).

3.5.4. Period 4 (1994 – 1997): New Responses to Clayoquot and Customer Campaigns

When Coady joined MB, the company was still very much in the throes of the battle for Clayoquot Sound, and environmentalists' targeting of MB's customers was intensifying.

Environmentalists expanded the customer campaigns following their success with Scott Paper and others in 1994, and these campaigns formed the backdrop for all of MB's other responses during this time period. Environmentalists targeted PacBell, the New York Times, and German publishers, all significant purchasers of paper or pulp from MB, along with a host of other companies that weren't actually customers of MB, but that made public announcements anyway.

Customers were usually coerced into making newspaper announcements about not buying certain forest products[37] by the threat of being targeted by environmentalists' boycott actions themselves. In this way, environmentalists traded their influence with consumers for MB's customers' influence with MB. MB had to respond to the customer campaigns in order to ensure future market access. MB responded with increased customer relations, and also involved itself in environmental certification standard-setting bodies in the mid-1990s. Certification standards that were acceptable to environmentalists did not exist in the BC context.

Some of the defense against the customer campaigns was undertaken by the Forest Alliance and the IWA. The Forest Alliance regularly contacted customers who made announcements to remind them of the purchases BC companies and forest workers made from

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[37] Variously, MB's, wood from old growth forests, wood from clearcuts,, wood from Clayoquot Sound, all of BC's wood, wood products from forests that were not environmentally certified, wood products from forests that were not certified by the Forest Stewardship Council.

them. The IWA threatened counter boycotts by IWA members if companies such as Starbucks, Hallmark, Nike and Patagonia did not recant their announcements.

The BC government had moved aboriginal issues to the top of its priority list by 1994, and as a result, had given significant power to the Nuu-Chah-Nulth First Nations for making decisions about Clayoquot Sound. Because the balance of power was perceived to have shifted to First Nations, both environmentalists and MB courted First Nations to obtain their support. The Nuu-Chah-Nulth responded by urging both parties to sit down in respectful discussions to attempt to find a solution acceptable to all. MB agreed, and negotiated in good faith. While a solution did not emerge, parties gained respect and understanding for the others throughout the interaction, and some friendship bonds were forged across 'enemy' lines.

The Scientific Panel issued its final report in May 1995, comprised of 127 recommendations which focused on eco-system planning[38] and the restriction of clearcutting. The Scientific Panel's recommendations were adopted by the BC government in their entirety. One journalist summarized the Clayoquot Sound decision as resulting in a reduction in wood volume from 900,000 cubic metres down to 100,000 cubic metres, with a corresponding job reduction from 1000 down to 100. He further suggested that the new practices could not be carried out profitably.[39] In spite of this assessment, MB agreed to be bound by the recommendations. When environmentalists protested the proposed logging of Sulfur Creek, which had been approved before the Scientific Panel reported, MB immediately backed away

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[38] Eco-system planning referred to a system whereby the needs of the entire eco-system were to be taken into consideration when determining logging plans, in contrast to the usual method of determining the average annual cut (AAC) by considering only the timber resources in an area.

[39] Indeed, MB lost $7M on its harvest of 52,000 cubic metres of wood in 1996, abiding by the rules of the Scientific Panel *(Vancouver Sun,* January 8, 1997, pp. A1, A4, as cited by Stanbury, 1997: January 8).

from logging there, saying continued conflict so soon after the Panel reported was not in the best interests of anyone involved.

In 1996, after 2 years of negotiations with environmentalists and First Nations in Clayoquot, and after MB agreed to log in Clayoquot Sound according to the recommendations of the Scientific Panel, Greenpeace initiated a new campaign in Clayoquot Sound. Coincident with a move of the international forestry campaign headquarters from Amsterdam to Canada, international leaders of Greenpeace traveled by ship to Clayoquot to get arrested there. The Nuu-Chah-Nulth reacted negatively, saying Greenpeace was no longer welcome on their lands since they had not informed them of the blockade in advance. Later in the summer, Greenpeace protesters jumped in the water in front of MB's log carriers, boarded the vessels, and chained themselves to equipment. MB sought injunctions and had the protesters arrested.

MB responded to Greenpeace's reactivated campaign by shutting down its Clayoquot operations and laying off its 77 employees there in January 1997. A Greenpeace campaigner commented in response that the organization would halt the campaign, and that they didn't want their victories to come at loggers' expense. Greenpeace was already being negatively affected in BC by the anti-environmentalist stance of the IWA and the support of the government for forestry jobs initiatives. Later in 1997, MB announced a joint venture with a Nuu-Chah-Nulth band (called Iisaak Forest Resources) to conduct eco-forestry in Clayoquot. Environmentalists supported this eco-forestry project.

Table 3.5: Summary of Influence Attempts and MB's Responses in Period 4

Att#	Date	Influence Attempt	MB's Response
4-1	1994-1996	Nuu-Chah-Nulth requested that MB engage in dialogue with them and environmentalists.	MB joined the dialogue and negotiated in good faith.
4-2	1994-1997	Ongoing customer campaigns.	MB increased its customer relations and involved itself in certification standards bodies.
4-3	1995	The Scientific Panel announced its recommendations and the government adopted them.	MB agreed to be bound by them.
4-4	1995	Greenpeace protests proposed logging in Sulfur Creek.	MB dropped its logging plans there.
4-5	1996	Greenpeace restarted its campaign in Clayoquot Sound.	MB obtained legal injunctions to get protesters off its boats, closed its logging operations in Clayoquot, and formed an eco-forestry joint venture with First Nations in Clayoquot.

3.5.4.1. Analysis

When Coady was appointed VP, her explicit concentration on interpreting environmentalists' demands to the company meant that MB's scanning of environmental sources of pressure was much improved. In addition, she legitimized the discussion of environmentalists within the company, aided by the external pressures associated with the customer campaigns.

> "When the Greens started to go after our customers, we had no access to courts and no legal remedies there either and had to move to adjudication." (Former MB Executive, 1999).

Furthermore, when MB's team began negotiations with environmentalists at the behest of the Nuu-Chah-Nulth (building interconnectedness), those who participated came to respect and

better understand environmentalists' and First Nations' positions. They were able to convey some of this understanding to senior managers – at least enough to enable some new responses:

> "In '95, the Independent Scientific Committee came down with a report and said 'make this a forestry sandbox.' We were talking in groups (stakeholder groups) to try to find out how people felt about it, and Linda Coady, ... she showed us we had to give it up, slowly and surely. She had trouble with some of the board members who wanted to fight rather than roll over and give up. The government didn't want us to give up either. We drew a fence around Clayoquot, which was about 10% of the annual harvest, and decided to give it up to the environmentalists and join with them to look at sustainable forestry there. The government and the unions weren't impressed, but we had to give up Clayoquot in order to log the other 6 million acres in the province." (Former MB executive, 1999).

Note that the new ties to environmentalists and First Nations necessitated violating the expectations of those with which the company had previously shared ties (government and unions). MB also began to diverge from others in the industry as a result of its being the primary target of environmental attacks.

> When I go and talk to my colleagues at Canfor and Interfor and explain some of the things we want to do and why, they look at me like I'm from another side of the moon. And I am as far as they are concerned, for example, regarding some of the things we would be prepared to do regarding relations with interest groups. 1996 MB Senior Manager Interview.

> I think we began to deviate from the rest of the industry very much because of Clayoquot. We were all on the same page going into Clayoquot, but coming out, I think MB's values, perspectives, how we define the issues, how we started to see ourselves as an organization and company just started to change quite profoundly. And when we would talk to our industry colleagues about it, it seems their response was "After you – you guys keep fighting a good fight, we will be right there". But there was the view that MB would fight these bouts **for** the industry. And no one has been targeted like MB has been targeted. We had boycotts, we had campaigns, we had demonstrations – and everybody else was going on with their lives. I don't blame the rest of the industry for wanting to keep it that way. Surely other people in the industry began to worry that it might happen to them, or at least began to think as we bravely went on with the fight and we were very apparently losing, that something might happen. We did have conversations that no one else was prepared to jump into with us. We felt very much then on our own, alienated from the mainstream opinion within the industry ... We began to talk less with the rest of the industry. We felt when we asked them for help, they didn't respond in an encouraging way. We began to feel we are more and more on our own. We cannot rely on the rest of the industry, the Forest Alliance or COFI to save us. 1999 MB Executive Interview.

Industry stakeholders thus became much less salient to MB as environmentalists, customers and First Nations became more so. Environmentalists gained power and legitimacy through their association with customers, while First Nations were given power and legitimate authority over the Clayoquot region by the government. Customers' and environmentalists' joint

influence attempts were highly salient since they were proximate to MB, persistent, becoming of high magnitude through cumulative effects, and highly threatening. They were regulative, and the attempts were through legitimate and public channels (customer pressure and the media).

The dialogue request by First Nations was also highly salient because it was distinctive, and because the power and legitimacy of First Nations as stakeholders had risen dramatically through the government's devolution of power to them. This normative request was seen as legitimate, particularly since the primary respondent was Linda Coady. While the existing institutions at MB were not consistent with collaborative dialogue, Coady highly valued collaborative dialogue and she was able to convince CEO Bob Findlay that negotiations carried possibilities for conflict resolution. At this point, MB had little else to lose economically or socially: both the economic and social threats associated with the status quo were unacceptable, and the costs of being involved in negotiations could easily be justified by the potential benefits.

The new ties to environmentalists and First Nations engendered in all participants a better understanding of the others' perspectives. New values and interpretations diffused through the negotiations, enabling later innovative responses, such as the Iisaak eco-forestry joint venture with the Nuu-Chah-Nulth that was established in 1997.

MB responded to the highly salient ongoing customer campaigns by beginning to involve itself in the development of forestry certification standards. Certification provided an answer to the customer campaigns, since customers would be able to resist environmentalists' pressures if they could say they were buying certified wood. However, standards did not exist to fit the BC coastal temperate rainforest, and thus they needed to be developed. MB's involvement in such industry-wide matters was a standard operating procedure for the company, as it fit with its

identity as an industry leader. The development of standards would take years, however[40]. Enhanced customer relations efforts were put in place to handle immediate problems.

The Scientific Panel's report was highly salient because it was proximate, distinctive and coercive, and because the government's endorsement of the Scientific Panel lent the group both power and legitimacy. The government's adoption of the recommendations assured MB's compliance, since MB's dominant logic was to follow government regulations.

The other option open to MB was to give up attempting to log in Clayoquot, especially given that any logging there was unlikely to be profitable. Shareholders asked CEO Bob Findlay about this option:

> "If we stop logging ... in the Clayoquot, we'd be on to the next battlefield, which is all of the temperate rain forest in British Columbia and all of Canada."[41]

An interviewee said:

> "The corporate position is they want to continue to log in Clayoquot Sound. It is 50,000 cu metres of the most socially dysfunctional and economically expensive wood in the world. There are no commercial possibilities left, but it is a symbol – a key to perceptions and relationships beyond the corporate fence."

Yet executives framed the responses at Clayoquot to themselves as discrete responses. Clayoquot was a special case, with the rest of the business buffered from pressure by decoupling (Oliver, 1991). This is consistent with an avoid response:

> "Green extremists don't want any harvesting at all, so there is no way to have compatible objectives with them, but Clayoquot Sound was saleable to the public, to Europe, where most of the problem around the customer base was happening,

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[40] FSC standards for BC's temperate rainforests still do not exist in 2002.

and to the greens. We were allowed to continue with our solid wood business elsewhere because we sacrificed Clayoquot and it didn't really diminish our ability to make the cost of capital." 1999 Interview with Former MB Executive

Others disagreed: "Forest companies in BC that think they can have their environmental and their operating factors separate are living in another universe." MB Senior Manager 1999 interview.

Those responsible for implementing the new solutions and attempting to come to some agreement with environmentalists emphasized that the support they received from senior management was only partial:

"At the operating level, I am less confident of support or the understanding even of why [environmental leadership] would be necessary. Because most of the environmental things they are looking at are still quite ghetto-ized and extraneous." 1996 interview with MB Senior Manager.

"We were able to convince our colleagues that we had to have a few spots in our company where we were doing something different. The emphasis at that point was we can do this here, but God help you if it spills over there ... So we started a few discrete projects, and of course, inevitably the projects became bones of contention within the company because they were so different from the whole structure of volume-based industrial logging. So we started to painfully hack away at that within ourselves. We were a house-divided on that." 1999 interview with MB Senior Manager.

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[41] MB CEO Bob Findlay, quoted in the *Globe & Mail*, April 15, 1994, p. B1, as cited by Stanbury (1994: April 15).

Thus at this juncture, MB showed some evidence of changing its responses to environmental pressures, but had not yet embraced these changes as part of the company's interpretive frame. The changes were bandages applied to enable the company to continue its operations. However, the changes adapted the company's 'genetic code', as one interviewee described it, laying the foundation for further change.

When environmentalists protested as MB prepared to log Sulfur Passage in Clayoquot Sound, MB acquiesced to this salient influence attempt from the by-now highly salient stakeholder. This attempt was all the more salient because MB had hoped that agreeing to the Scientific Panel's recommendations would be enough to put an end to its problems in Clayoquot. The fact that it wasn't may have violated MB's expectations and made the attempt distinctive.

After all the effort that MB had put into finding a solution at Clayoquot, and all of its efforts to make peace with Greenpeace, the renewal of Greenpeace's campaign in 1996 was the proverbial straw that broke the camel's back. Despite the company's best efforts, it had not been able to find a workable solution for Clayoquot Sound. Again, although the influence attempt action was not unusual, its violation of MB's expectations made it distinctive. The company lost money on every tree it cut there, and it was losing legitimacy as well. Withdrawal was the only rational option in the short term.

In addition, the environmentalists were now so salient that their every move attracted attention, particularly in Clayoquot, a core company issue. MB's withdrawal from Clayoquot can be seen as compliance, since it met environmentalists' requirements for no more logging, but it seemed more like a gesture of futility: in the short term at least, a win-win solution was not obtainable. Withdrawal was avoidance: an attempt to escape the pressure by getting out of the domain (at least temporarily).

By the following year, however, the innovative joint venture with First Nations became the win-win-win solution: First Nations got determination over their lands; environmentalists got an eco-forestry demonstration project; and MB got to log in Clayoquot. Logging in Clayoquot continued to be symbolically important to MB, even though it was not seen as likely that the eco-forestry project would make money.

Towards the end of this period, the long-term pressures in MB's environment had taken their toll:

> "Where we are is not desirable, too, which is on the leading edge where all the blood is ... I worry that we don't have time to do the proper thinking and analysis sometimes that these issues deserve. But that is hard to do when the camera crew is coming in three minutes and you have people scaling the side of your building, you have an operation that's on the verge of economic chaos, and the union's going to shoot you." 1996 Interview

MB's financial performance was below the average of all publicly-traded forest companies, and below the TSE average. The company had not earned the cost of capital.[42] Two large block shareholders initiated a shareholders' revolt, and a new CEO, Tom Stephens, was appointed in September 1997 to execute a turnaround at MB. At about the same time, the Asian flu hit the company, effectively eliminating one of its largest (and least environmentally sensitive) markets. While not directed by the Board to fix MB's social problems, Stephens concluded after a three month review that MB was in danger of losing its 'social license' to operate. Earning back respect became one of the three guiding strategic objectives of the firm through the turnaround.

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[42] *Vancouver Sun,* April 19, 1996, pp. D1, D2, as cited by Stanbury (1996: April 19,1996).

3.5.5. Period 5 (1998): Clearcutting Phase Out, Industry Backlash and Response

In 1998, customer campaigns showed no signs of letting up, and environmentalists had begun to broaden them to include retailers of lumber products. The world's largest lumber retailers were being targeted (Home Depot, B&Q, Lowes' and others). The traditional dominant players in the organizational field aside from MB were lashing out at environmentalists. The IWA was suing Greenpeace for lost wages due to blockades, and threatening boycotts of companies who made announcements with environmentalists that they would stop buying BC wood products. The Forest Alliance criticized Greenpeace for ignoring the science around forestry issues and playing up the emotional aspects of the issues to increase their fundraising potential. Even the Minister of Forests was talking tough. News articles reported:

> "The provincial government must take steps to protect forest companies from the 'jackboot tactics' of Greenpeace protesters, says the B.C. Forest Alliance." (Certification system sought ..., 1998).

> "Forests Minister David Zirnhelt says that by 'knuckling under' to Greenpeace's demands, companies are collaborating with Greenpeace's economic politics: giving advantage to producers who have no old-growth to log." (B.C. forest deals cancelled ..., 1998).

In the context of this backlash against environmentalists by traditional dominant players, MB's responses looked especially deviant. With the change in CEO, the most senior layer of executives was all but eliminated and replaced. Thus the old MB "mindguards" (Janis, 1961),

were no longer able to protest significant changes at the company, and a new openness was facilitated.

> "[Stephens] created an atmosphere in the company where it was not only safe to challenge sacred cows but you were stupid if you didn't." 1999 Sr. Manager Interview.

The Forest Project was born with the express purpose of finding a new way to do forestry. This project is discussed in depth in Chapter 5. The result was that MB announced in June 1998 that clearcut logging would be phased out over a 5-year period and replaced by the environmentalist-favoured variable retention logging. This announcement was surprising to MB's stakeholders, and was a complete turnaround from MB's 15-year defense of clearcut logging.

Forest Project members conducted focus groups of members of the public and MB employees just months before the announcement:

> "We asked people what would you think if a B.C. forest company said that they were going to give up clear cutting, and I remember, well, the focus groups burst out laughing – that was the reaction. They said they'd sell the shares in that company ... We were really shocked ... There is such a strong ideological flavor around it and people didn't think it was possible to harvest trees in a way that wasn't clear cutting."[43]

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[43] Government regulations at the time virtually required clearcutting, and the practice was dominant in the field, with 98% of BC forests being cut by clearcut. When the BC Premier was asked in 1994 about the choice between a European ban or an end to clearcutting, Mr. Harcourt said that it is like "being given a choice of drinking rat poison or arsenic." (Stanbury, 1994: Feb. 4).

I think that too, the media coverage the amount of exposure, people talking about it, people saying, "No, it can't be true", it just seemed to be a contrast, the newness of it, the variety of it and the surprise. Nobody expected us to do it. It just shows you that our analysis was right. These issues had become very ideological to the point that a forest company like MB was totally associated with clear cutting, clear cutting was the symbol for the company. So when MB said we are not going to do this anymore, people would say you are going to go out of business.

The Forest Alliance and most of the other companies in the industry continued to defend clearcutting, and privately (and sometimes publicly) criticized MB for its new policy. The following quotations illustrate the private responses MB managers experienced.

I remember talking to [the Forest Alliance Executive Director] about this after the forest project. He said, "The rumor is you just made a deal with Greenpeace. You work this out this way, it's a back room thing. It's really terrible. It's anti democratic." I said, "The only deal we have going with Greenpeace is the highly simplistic notion within this complex environment that we all work in that if you care about what I care about I'll care about what you care about. That's it folks, that's the deal." 1999 MB Sr. Manager Interview.

In B.C. the industry is supposed to operate in unison, and you get in trouble with your peers if you break out of the pack. 1999 MB Manager Interview.

We brought all the CEOs from all the companies and presented to them before we announced and so we had consulted with them (Coastal CEOs, 6-8 of them, it was in late May). It wasn't to get their approval, it was to inform them ahead of time ... The reaction was not very positive when we started out; we had broken ranks with the Forest Alliance; that didn't help. That wasn't so much because of where we were going but the personalities involved. 1999 MB Executive Interview

It certainly happened that the rest of the industry was just flabbergasted and quite antagonistic to what we did. Without exception the other companies were very antagonistic, saying it was culturally untested, and all of the trees that are left are going to blow down. There are other people who said, "you can't make any money doing that", and others who said, "we have been [doing variable retention] for years and why do you get all the good PR?" Certainly there's large range of reasons why there is antagonism. 1999 MB Manager Interview.

MB responded to this pressure by dropping out of the Forest Alliance:

It was clear we were paying all the money and they were going this way and we were going that way. We just did not share the same agenda. 1999 MB Executive Interview.

A newspaper editorial by MB public affairs vice-president Alan Stubbs stated:

"We feel that what we are doing is so much different than anything else the industry is doing that we want to manage issues ourselves. One of the things we won't be doing is defending clearcutting". (Stubbs, 1998: A10).

Table 3.6: Summary of Influence Attempts and MB's Responses in Period 5

Att#	Date	Influence Attempt	MB's Response
5-1	1998	Synergistic combination of multiple influence attempts over time.	MB phases out clearcutting.
5-2	1998	Forest Alliance and industry criticize MB's new policy and continue to defend clearcutting.	MB drops out of the Forest Alliance, decoupling from the industry.

A newspaper columnist positioned MB's withdrawal as an attempt to take market share from other BC companies rather than growing market share together with them. It also stated that MB gained more than anyone else from the Forest Alliance's public relations efforts in the early 1990s, yet was turning its back now. Forestry analyst Les Reed placed the blame squarely on new MB CEO Tom Stephens: "You have a right to assume he has no commitment to forestry in B.C., either short-term or long-term." (Hamilton, 1998, August 18: A1). The president of the Forest Alliance "accused MB of abandoning its responsibility as the province's leading forest products company by dropping out of the alliance." (Hamilton, 1998, August 18: A1).

Table 3.6 summarizes the influence attempts and responses of this period.

3.5.5.1. Analysis

In period 5, MB showed evidence of innovating in order to find some solution to its persistent problems with environmentalists. By this time, localized responses to localized actions had gone by the wayside. As campaigns broadened in scope and lengthened in duration, MB had to come up with some significant responses that would quiet environmentalists. As such, MB's phaseout of clearcutting can not be seen as the response to any given influence attempt, but instead to the synergistic combination of all of the prior influence attempts (which, combined,

were proximate, distinctive, persistent, and of high magnitude).[44] The combined effect was a growing threat of inability to access wood (because of the prior valley campaigns and a new campaign covering the entire north and central coast of BC), and an inability to access markets due to the customer campaigns. Thus, the economic fitness effects associated with the combined highly salient influence attempts were strong enough to motivate significant action. The very persistence of these campaigns lent them legitimacy: people come to accept what is repeated as normal (Hannan & Freeman, 1983). Several interviewees echoed sentiments similar to this one: *"We log, and environmentalists protest. That's what they do."*

MB's phase out of clearcutting was in line with environmentalists' demand to end clearcutting. Environmentalists' demands to end logging in BC or in old growth rainforests would have ended MB, so fully complying with these demands was not an option. Yet the decision to end clearcutting was highly significant in that it indicated a change in the dominant logic and core technology at MB.

Industry solidarity in the BC Forest industry had always been very high, and as the largest company, MB had been a leader. MB's withdrawal from the Forest Alliance was seen as a very significant move by others in the industry – even a betrayal.

For MB, the industry had become a much less salient part of its organizational field. The company had come to understand environmentalists' perspectives, and had to respond to salient influence attempts by environmentalists and customers. The industry was no longer a legitimate source of pressure, since MB felt that it had made a journey and learned things that the rest of the industry did not. The Forest Alliance's continued defense of clearcutting when MB had phased it

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[44] The model of organizational responses to stakeholder influence attempts is a static model, and therefore not able to account for a response to a combination of influence attempts over time. This issue will be dealt with more thoroughly in Chapter 5.

out made it difficult for MB to continue its membership. MB's legitimacy could be affected negatively by this inconsistency, and the company was economically better off by not paying its membership dues. MB avoided the pressures by taking itself out of the industry association.

We see in this example that MB's new ties to First Nations and environmentalists necessitated a change in its ties to its traditional network. MB could not simultaneously please both, and as First Nations and environmentalists rose in power and legitimacy, the industry's pressure became less salient. In this way, MB enacted its multiplicity of demand by severing its ties with its former coalition partners and no longer considering their demands.

3.5.6. Period 6 (October 1998 to March 2000): An Industry-Wide Strategy

The peace in the woods for MB lasted only a few months. In October 1998, Greenpeace expanded its forest campaign to focus on all of BC Coastal Forestry, including MB, despite the fact that the company had ended clearcutting, which Greenpeace had praised. Greenpeace campaigner Karen Mahon indicated that it would be "up to MB to defend itself it in the marketplace."[45]

MB's response to this new campaign was threefold. First, the company announced that no new investments would be made in BC. Second, the company shifted most of its logging to its privately owned land. This land was less subject to protest and not subject to the restrictive Forest Practices Code. Third, MB began meeting privately with other coastal forest company leaders on the coast to encourage them to cooperate in finding a coordinated way to respond to the campaign.

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[45] Hamilton (1998: October 17: A1).

The group that was formed through these meetings was initially called the Coastal Forest Conservation Initiative (CFCI). It began as a series of weekly, informal tea-and-muffins meetings in late 1998. MB encouraged other companies to phase out clearcutting, and offered all of its data and analysis to those companies free of charge.

> When we started up one of the things we wanted to do was make ourselves different from the rest. So we were looking for something to distinguish ourselves as more green than other people on the coast... That now has changed. A couple of companies on the coast have announced they are going to be doing variable retention. That was actually a change in strategy [from] making ourselves distinct from the other players to actually going out on purpose to try and get them on board, the idea being that we were all going to get tarred with the same brush anyway. 1999 MB Interview.

> We have changed our tune corporately from at the beginning of this we said we are going to lead this and thus where the benefit would come. What we have seen is that in order for us to lead, somebody has to follow, and so we need to get everybody on the side with us. In fact, we are really going to corner the market globally the way we want. We need to position the coast as different from the rest of the world. It is not sufficient to say MB is different because in the marketplace what they look at is B.C. old growth, coastal old growth; we all get painted with the same brush stroke. All we need is one bad apple and it doesn't matter what you have done, you can't position yourself well enough. It's much easier if everybody went this way. 1999 MB Interview.

Two companies made variable retention announcements in the spring of 1999 (TimberWest and Interfor).

The companies together decided to attempt to counteract environmentalists' campaigns with customers by inviting the customers to see how BC coastal logging had changed. They began by inviting German publishers, a very early source of customer pressure for several of the companies, to go on helicopter tours of logging sites, hoping the customers would be satisfied. Greenpeace also showed some sites to the publishers, and presented them with a list of 113 valleys that they desired to be protected on the BC Coast. The publishers were not completely satisfied with the results of the tour, but were also finding the ongoing campaigns of Greenpeace and the Coastal Rainforest Coalition to be tiresome. They brought the companies and the environmentalists together and told them to find a solution jointly to logging on the coast of BC, or risk the loss of the publishers' business (for companies) and support (for environmentalists).

Table 3.7: Summary of Influence Attempts and MB's Responses in Period 6

Att#	Date	Influence Attempt	MB's[46] Response
6-1	1998	Expansion of Greenpeace Campaign.	Announced no new investments in BC; shifted logging to private lands; Formed a coalition with other companies on the coast; Brought customers to BC.
6-2	1998	German publishers pressured both companies and environmentalists to come up with a joint solution or risk losing their support.	Companies make unilateral offer to declare a moratorium on logging in affected valleys while talks are held.

At that time, the CFCI made a unilateral offer to environmentalists: they would declare a moratorium on logging in the 113 valleys while the two sides negotiated, countering a long-time

[46] By 2000, MB was absorbed into Weyerhaeuser.

objection by environmentalists that companies would both 'talk and log' at the same time. The environmentalists agreed, declared they would halt their campaigns at the same time, and negotiations began in secret.

3.5.6.1. Analysis

Greenpeace's move to expand its campaign to the entire BC Coast was highly salient to MB since environmentalists as a stakeholder had become highly salient, and the new campaign was distinctive and proximate in that it included MB despite MB's phase out of clearcutting a few months before. The economic incentives to respond were high as the customer campaigns were ongoing and the valley campaigns were broadening, threatening both supply and demand. The influence attempt may have been perceived to be illegitimate by MB managers, since they had given up clearcutting and still faced significant pressure. MB's halting further investment in BC and moving most logging to private land were rational avoidance responses to reduce the pressures, but MB had too much at stake to walk away entirely.

Greenpeace's influence attempt made salient that the companies would be judged together, and MB responded by forming a coalition with the other companies, reinstating former ties. The companies' efforts to influence customers reflected that a willingness by customers to stand up to environmentalists' pressure would remove a major source of power for environmentalists. While customers were not convinced, they recognized that they carried the balance of power between the environmentalists and companies, and they used it to encourage a joint solution.

With the highly salient influence attempt by customers, the companies, led by Linda Coady (for whom collaboration and negotiation were dominant responses in her repertoire),

made the unilateral offer of a moratorium to the environmentalists. In this way, the companies acquiesced to the customers, innovated by announcing the moratorium, and sought to begin a compromise process with environmentalists. For environmentalists to reject the offer, they would have to give up the German publishers' influence, eroding their power position considerably.

The ongoing pressure had pushed MB in particular, and other companies which had observed MB's struggles, far away from a mere reproduction of their former institutions. Former institutions had not worked, and pressures had persisted and intensified over time. For MB, achieving respect was now an explicit part of the company's strategic goals, and the internal culture valued trying new things. As the company with the most experience in dealing with pressures, and after the success (albeit short-lived) of the forest project, MB was able to take a leading role among the other companies. The sheer persistence of environmental uncertainty for MB led the company to try new things.

3.5.7. Period 7: Backlash

By March, 2000, companies and environmentalists began to broaden their consultations by involving some of the other stakeholders (unions, government, First Nations). One party leaked the negotiations to the press, and a major backlash ensued led by First Nations, the Truck Loggers Association, and forest-dependent communities on the north and central coast of BC (where the majority of the valleys in question were located). The provincial government also publicly expressed dismay that the companies and environmentalists would discuss land uses without involving the parties with the rights to the land (government and First Nations). The negotiations were broadened at that point, to involve other parties, however, one of the

companies (Interfor), was asked to withdraw by its First Nations partners (it did), and the environmentalists reinstated their campaigns. Greenpeace also withdrew from negotiations.

Negotiations are ongoing to 2002, though a Weyerhaeuser team (led by Linda Coady) has taken MB's place at the negotiating table since this company purchased MB.

Table 3.8: Summary of Influence Attempts and MB's Responses in Period 7

Att#	Date	Influence Attempt	Companies' Response
7-1	2000	Public backlash against the CFCI.	Negotiations broadened to include other primary stakeholders on the North and Central Coast.

When other stakeholders reacted negatively to the secret meetings between environmentalists and companies, both sides felt the pressure to include the other stakeholders since the influence attempt was legitimate, of high magnitude and persistent. Both sides had formed coalitions with other members of the field at various times in the past, and excluding those groups at this point would be inappropriate. Even though the ties between the companies and these other groups had not been close in recent times, the fact that they were there previously made the stakeholders immediately salient when they increased their urgency on the issue. Furthermore, the government still had final say over the land, and First Nations' still had unextinguished rights to it. While the power of the government to *resolve* the issues was no longer perceived by MB to be strong after the environmentalists went to the customers, the government still had substantial *veto* power over any proposed solution. Immediately broadening the negotiations to include other stakeholders on the North and Central Coast (an acquiescent and compromise response) was the only viable response open to the companies, and was consistent with their framing of the issues as negotiated issues.

Table 3.9: Summary of All Influence Attempts

Influence Attempt	Issuer	Stakeholder Salience	Influence Att. Salience	Influence Att. Legitimacy	Response	Context
1. 1. 1	E&FN	L	H	L	D	U-L, Mt-L, T-L
1. 1. 2	E&FN	L	L	L	D	U-L, Mt-L, T-L
1. 2	Govt	M	L	L	D	U-L, Mt-L, T-H
1. 3	FN	L	L	L	D	U-L, Mt-L, T-L
1. 4. 1	FN&E	L	H	M	D	U-L, Mt-L, T-L
1. 4. 2	Court	H	H	H	AC	U-L, Mt-L, T-L
1. 5	Govt	H	H	M	AC, C	U-L, Mt-L, T-H
2. 1	E	L-M	H	L	M	U-M, Mt-L, T-L
2. 2	E+Govt	H	H	M	C	U-M, Mt-L, T-H
2. 3	E+Public	M	H	M	D,C,M	U-M, Mt-M, T-M
2. 4	Govt	H	H	H	AC, M	U-M, Mt-M, T-H
2. 5	E	M	H	L	M	U-H, Mt-M, T-M
3. 1	E	M	H	L	D,M	U-H, Mt-H, T-M
3. 2	E	M	H	L	D	U-H, Mt-H, T-M
3. 3	E	M	H	L	D	U-H, Mt-H, T-M
3. 4	E	M	H	L	M	U-H, Mt-H, T-M
3. 5	E&Cust.	H	H	L	D,M	U-H, Mt-H, T-H
4. 1	FN	H	H	H	AC	U-H, Mt-H, T-H
4. 2	E&Cust	H	H	H	AC, C	U-H, Mt-H, T-H
4. 3	Sc.Panel	H	H	H	AC	U-H, Mt-H, T-H
4. 4	E	H	H	H	AC, AV	U-H, Mt-H, T-H
4. 5	E	H	H	M	AV,IN	U-H, Mt-H, T-H
5. 1	E+	H	H	H	AC, IN	U-M, Mt-H, T-H
5. 2	FA	L	H	L	AV,D	U-M, Mt-H, T-M
6. 1	E	H	H	L	AV,AV,M	U-H, Mt-H, T-H
6. 2	Customer	H	H	H	AC, IN	U-H, Mt-H, T-H
7. 1	Multiple	M	H	H	AC, C	U-H, Mt-H, T-M

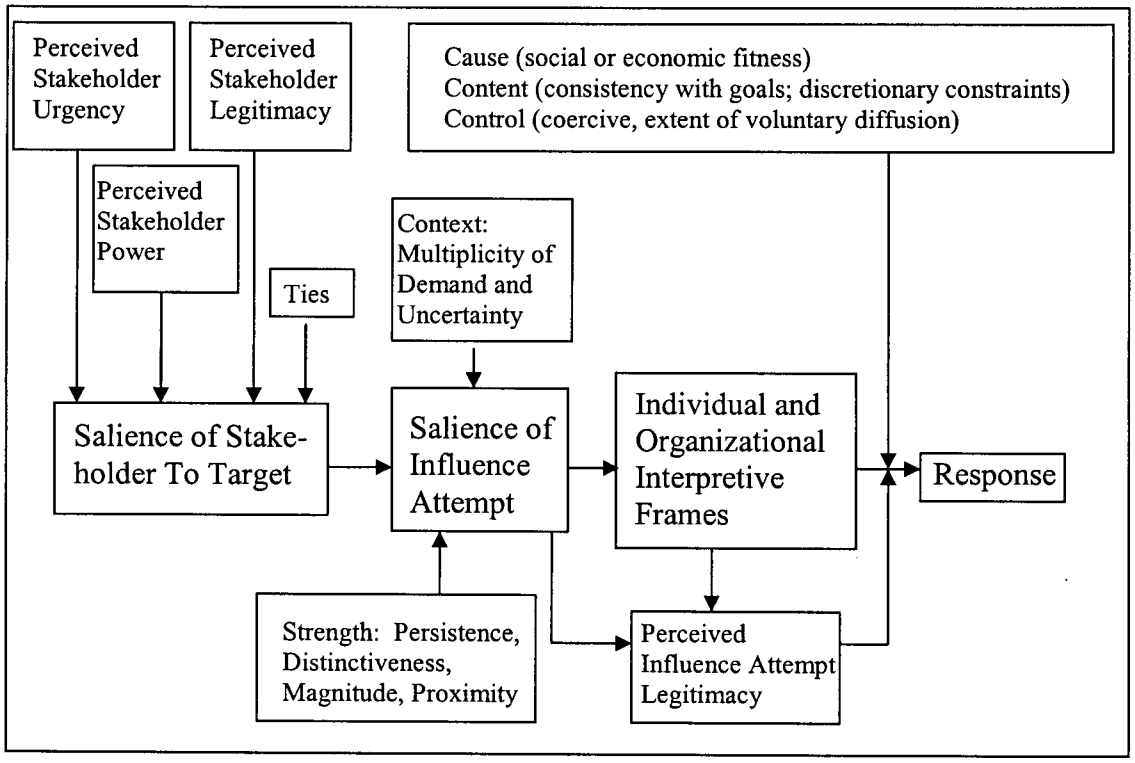
Groups: E=Environmentalists; FN=First Nations; Cust=Customers; Sc.Panel=Scientific Panel; FA=Forest Alliance. Responses: AC=acquiesce, C=compromise, AV=Avoid, IN=innovate, D=defy, M=manipulate. Context Characteristics: U=uncertainty, Mt=multiplicity, T=Ties. Levels: H=high, M=moderate, L=low.

3.6. Summary, Refinements to the Model and Propositions

All influence attempts from the seven periods are summarized in Table 3.9. While the model of responses to stakeholder influence attempts appears to encompass the main drivers of

organizational response, the addition of one variable appears to be warranted: the legitimacy of the influence attempt. The revised model is presented in Figure 3.5.

Figure 3.5: Revised Model of Responses to Stakeholder Influence Attempts



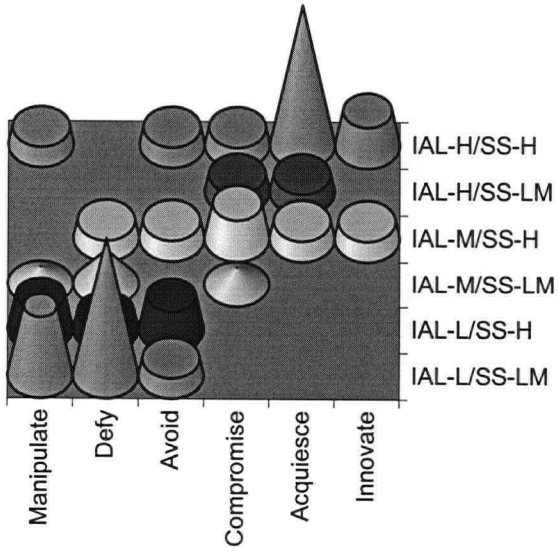
3.6.1. The Role of Influence Attempt Legitimacy

The legitimacy of an influence attempt appears to play a rather large role in determining the response itself. As shown in the revised model, salient influence attempts are judged to be legitimate or illegitimate based on individual and organizational interpretive frames, and the legitimacy judgment conditions the organization's response. The responses to low, moderate and high legitimacy influence attempts, segmented by the salience of the stakeholder[47] are illustrated

[47] The salience of all influence attempts was high except for in three cases; in each of these cases, influence attempts were dismissed (defy response). These are included in the category Low Influence Attempt Legitimacy/Low-Moderate Stakeholder Salience.

in Figure 3.6.[48] The height of the object in each cell indicates the number of observances of each response under each influence attempt legitimacy and stakeholder salience combination. All high legitimacy influence attempts attracted acquiescent responses, [49] and even moderately legitimate influence attempts attracted low or moderately resistant responses as long as the stakeholder salience was high. Furthermore, the possibilities for more proactive responses to environmentalists only seemed to appear once MB recognized their influence attempts as legitimate. All responses with low legitimacy attracted resistant responses. Even highly salient influence attempts by highly salient stakeholders were resisted when the influence attempt was seen to be illegitimate (see, e.g., Influence attempts 3.5 and 6.1). Figure 3.6 shows a clear relationship between the combination of influence attempt legitimacy and stakeholder salience on one hand and the resistance of an organizational response on the other.

Fig.3.6: Responses to Influence Attempts



*IAL=Influence Attempt Legitimacy. SS=Stakeholder Salience. Levels: LM=Low/Moderate; H=High.

[48] Some attempts attracted multiple responses, thus total responses exceed total influence attempts.
[49] The 'manipulate', 'avoid' and 'compromise' responses observed among influence attempts with high legitimacy were also accompanied by an acquiescent response.

Frequently, influence attempts that were perceived to be illegitimate roused significant anger and indignation in managers at MB. In Chapter 4, I probe further into this phenomenon, describing a 'legitimacy trap'. Organizations caught in a legitimacy trap become so entrenched in their self-legitimizing beliefs that they strongly (and often dysfunctionally), resist what they see as illegitimate demands from the outside. Resistance itself takes on normative value, since it involves 'standing up for what one believes in'. Yet, when external demands reflect changes in the environment, the highly resistant organization risks becoming maladapted.

3.6.2. Refinement of Model Predictions Based on Data

In Table 3.10, all possible combinations of the three key variables (stakeholder salience, influence attempt salience, and influence attempt legitimacy) are listed along with the number of observed responses in parenthesis (where no number is listed, there was one response of that type). Some combinations of the three variables were not observed in this case study, particularly combinations involving low salience influence attempts. When all three variables were high, the dominant responses were 'acquiesce' and 'innovate'. When the stakeholder salience was low to moderate but influence attempt salience and legitimacy were high, 'acquiesce' and 'compromise' responses were observed. When the influence attempt was moderately legitimate but highly salient, all responses except a 'manipulate' response were observed when the stakeholder was highly salient, and 'compromise', 'manipulate' and 'defy' responses were observed when the stakeholder was of low or moderate salience. Influence attempts that were considered illegitimate and highly salient attracted 'avoid', 'defy' and 'manipulate' responses whether the stakeholders were of high or low/moderate salience, though

'defy' responses were dominant when stakeholder salience was lower. When all three variables were low or low/moderate, the influence attempts were dismissed ('defy' response).

Table 3.10: Responses to Combinations of Variables

Stakeholder Salience	Influence Attempt Salience	Legitimacy of Influence Attempt	Responses
H	H	H	Acquiesce (8), Innovate (2), *Compromise, Avoid, Manipulate*
H	L	H	(no observations)
L/M	H	H	Acquiesce, Compromise
L/M	L	H	(no observations)
H	H	M	*Innovate*, Acquiesce, Compromise (2), *Defy*, Avoid
H	L	M	(no observations)
L/M	H	M	Compromise, Defy, Manipulate (2)
L/M	L	M	(no observations)
H	H	L	Avoid (2), Defy, Manipulate (2)
H	L	L	(no observations)
L/M	H	L	Avoid, Defy (5), Manipulate (4)
L/M	L	L	Defy (3)

Some of the responses observed bear closer scrutiny; these are marked in italics. For example, the first category (high on all variables) includes responses of 'manipulate' (attempt 2.4) 'compromise' (attempt 4.2), and 'avoid' (attempt 4.4) when it might be expected that an organization would only 'acquiesce' or 'innovate' in response to this type of pressure. In each of these cases, resistant and acquiescent responses were paired. Closer examination of these paired (mixed) responses is instructive. I discuss each case individually, generating theoretical propositions.

In influence attempt 2.4, MB 'manipulated' by framing a government decision to make half of the Carmanah a park in 1990 as a loss of jobs and economic revenues. The company also complied with the government's decision, however, and it can be surmised that the framing of

the decision was aimed at the public and forest workers in an effort to increase their pressure on the government to stop creating more parks. In fact, the government also framed its decision the same way, reflecting some continued alignment between the government and MB.

The government was a 'policy broker': an actor "whose dominant concerns [were] with keeping the level of political conflict within acceptable limits and reaching some 'reasonable' solution to the problem" (Sabatier, 1993: 27). The government's role dictated that it had to respond to the concerns of the electorate, particularly when a provincial election was about a year away. Public opinion polls taken at the time clearly showed that the public felt that environmental concerns should be at the top of the political agenda (Stanbury, 1990). The government thus had little choice but to respond to the Carmanah pressure.

MB had to comply with the government's directive, but senior managers were well aware of the government's dilemma. By framing the pressures as job and revenue losses, the company was attempting to shape the interpretation of different segments of the electorate in order to incite some counterpressure on the government against future parks creation decisions. Thus, the 'manipulate' response was an influence attempt by MB to raise the multiplicity of demand in its environment and to raise pro-logging support. By raising the public pressure *against* park creation, MB hoped to neutralize some of the power that stakeholders pressuring *for* park creation had over the government, using an indirect pathway (Frooman, 1999).

Attempts to influence relevant third parties (policy elites in the social movement literature, see e.g., McAdam, McCarthy & Zald, 1996), can be considered a likely co-response (with acquiescence) to unpopular, but salient and legitimate influence attempts from salient stakeholders that are expected to recur. Such third party mobilization is especially likely when

the influencing actor is a policy broker, since the policy broker is obliged by its role to attend to the concerns of interested parties.

Proposition 1: When complying with a highly salient and legitimate influence attempt from a salient stakeholder is perceived as damaging to an organization, and when more such influence attempts are considered likely, an organization will attempt to mobilize the support of third parties. This effect will be stronger when the influence attempt comes from a policy broker.

In influence attempt 4.2, environmentalists and customers demanded that MB environmentally certify its operations. The response is listed as a compromise response, in that MB began involving itself in certification bodies and undertaking further customer relations. However, MB did not comply with the certification demand because compliance was not possible: no acceptable certification standards existed at the time.

In influence attempt 4.4, MB both complied with and avoided pressures from environmentalists who restarted the campaign in the Sulfur Creek area of Clayoquot Sound after MB accepted the recommendations of the Scientific Panel. With this incident, avoidance was partly a compliance strategy, and it was impacted by the timing of the influence attempt. Battle-weary MB was eager to have adherence to the Scientific Panel's recommendations be considered sufficient in Clayoquot Sound. By not asserting its rights to cut Sulfur Creek in the old way, MB was strategically trying to avoid conflict at a sensitive time.

Proposition 2: Highly salient, legitimate influence attempts from highly salient stakeholders will attract compliant or innovative responses, unless the organization is constrained from such a response, or unless the organization is strategically avoiding the pressure by defining itself out of the domain.

Similarly, in response to a highly salient and moderately legitimate influence attempt from a highly salient stakeholder (influence attempt 4.5), MB innovated and defied in addition to avoiding the influence attempt. The act of defiance was to have the people who had chained themselves to an MB boat arrested. Thus, while defiance wasn't MB's preferred response in this case, it respresented the only means available to remove the protesters. MB was constrained by the situation.

3.6.3. Dynamic Effects

The innovation response to influence attempt 4.5 (forming an eco-forestry joint venture with Iisaak), was a response to accumulated pressures, including the prior negotiations that had taken place with the Nuu-Chah-Nulth. Similarly, the phasing out of clearcutting can be understood as a response to accumulated pressures. When pressures persist and it becomes evident that prior responses haven't worked, the organization considers more and more dramatic or significantly different responses. Such responses may look out of proportion to the influence attempt itself. However, by 'over'-responding, the organizations hope to put an end to the continued pressure. This applies in particular when the persistence of presure leads to the framing of the situation as a crisis. The prior history of interaction between the organization and a stakeholder group forms part of the background context in whcich future influence attempts from the same stakeholder group will be assessed, thus indirectly impacting the kind of response the organization will choose the next time.

Proposition 3: Persistent influence attempts may eventually trigger dramatic or significantly different responses than those adopted in the past by the target organization, particularly if the pressures are perceived as contributing to a crisis situation.

The current model is limited in its ability to deal with prior history, in that it focuses on each influence attempt at a point in time. The model can capture dynamic effects when used recursively. That is, an organization's response changes the context and prompts new influence attempts (feedback) to which the organization must again respond. Over time, a stakeholder's actions will influence that stakeholder's perceived power and legitimacy, and therefore salience, and may contribute to changes in the firm's interpretive frame. In the case of MB, environmentalists rose in salience significantly during the study period as they issued more and more influence attempts, and as they were able to change MB's context through their influence attempts. Furthermore, as environmentalists rose in salience, MB created ties to them, and that had the effect of changing MB's interpretive frame. These process changes cannot be captured by the model, but recursive use of the model results in a series of snapshots, in which the variables are reset for each shot. Chapter 4 discusses dynamic influences in more depth.

3.6.4. Refinement of Model Predictions Based on Theorizing

The data included few low salience influence attempts, probably because MB was the most important target of the environmentalists' pressure, and the pressures persisted as a significant part of MB's business environment throughout the study period. The three influence attempts that were of low salience were all dismissed (MB chose a defy response). These attempts, also had low legitimacy and low/moderate stakeholder salience. Since stakeholder salience influences the salience of the influence attempt, it is reasonable to assume that highly salient stakeholders will rarely be associated with low salience influence attempts. Highly salient stakeholders are scanned regularly, and even minor influence attempts (or anticipated influence attempts) are likely to be at least moderately salient to the target firm.

Stakeholders of low/moderate salience may issue influence attempts that are of low salience, however. When these influence attempts are of high or moderate legitimacy, they are likely to receive one of three types of responses (assuming that a compliant response involves more perceived costs than benefits for the firm). First, they could be dismissed (defy response): because the stakeholders themselves have low salience, the target is unlikely to lose legitimacy if it fails to respond to their influence attempts. Second, the target could attempt to manipulate the perceptions of third parties as to the benefits of complying with the influence attempt raised by a low/moderate salience stakeholder. Third, the target could avoid the influence attempts, either by concealing the firm's non-compliance, or by getting itself out of that stakeholder's domain of influence. These responses are added to Table 3.11, which shows the responses which are predicted to be associated with various influence attempts, based on the grounded findings in this study and the reasoning above.

I have also added the response 'avoid' to the category of Low/Moderate stakeholder salience coupled with high influence attempt salience and moderate legitimacy of the influence attempt. A firm will often have the ability to back out of an issue domain if the costs of remaining 'in' are too high. The same reasoning justifies an avoid response for high salience, legitimate influence attempts from highly legitimate stakeholders. For example, MB indicated that it would suspend further investment in BC because it could not get certainty with respect to environmental issues, and the costs involved were making logging uneconomic: no matter how legitimate and salient the influence attempt and the stakeholder, continuing indefinitely in an unprofitable business domain poses survival risks for a firm.

The responses shown in Table 3.11 generally assume that influence attempts are primarily aimed at getting an organization to do something it otherwise would not. That is, the

actions required involve some tradeoffs for the organization in terms of social or economic fitness. This is not necessarily the case as, for example, a stakeholder such as a venture capitalist could encourage a firm to chase a promising market, providing gains for both parties. Consistent with Oliver (1991), I assume that if complying with an influence attempt is in a firm's best interests (and the firm is not otherwise constrained by law, resource availability, or other salient stakeholders), the firm will comply.

Table 3.11: Predicted Responses to Influence Attempts

Stakeholder Salience	Influence Attempt Salience	Legitimacy of Influence Attempt	Predicted Response
H	H	H	Acquiesce, Innovate, Avoid
H	L	H	*Unlikely to be observed*
L/M	H	H	Acquiesce, Compromise, Avoid
L/M	L	H	Avoid, Defy, Manipulate
H	H	M	Acquiesce, Compromise, Avoid, Manipulate
H	L	M	*Unlikely to be observed*
L/M	H	M	Compromise, Defy, Manipulate
L/M	L	M	Compromise, Defy, Manipulate
H	H	L	Avoid, Defy, Manipulate
H	L	L	*Unlikely to be observed*
L/M	H	L	Avoid, Defy, Manipulate
L/M	L	L	Defy

The combinations of the three variables still leave us, in most cases, with multiple responses available to an organization, reducing our ability to predict the dominant response. However, other elements in the model not shown in Table 3.11 will also impact the choice of responses within each category. Additional propositions are presented to fine tune the predictions in Table 3.11.

First, the incentives associated with the action requested by an influence attempt will be more or less consistent with organizational goals (content) and the organization's social and economic fitness (cause). Within each row of Table 3.11, the more consistent an action is with organizational goals and the more beneficial that action is for organizational performance, the lower the firm's resistance to adopting that response.[50]

Proposition 4: A target will be less likely to resist an influence attempt the more favourable the influence attempt is to an organization's social and economic fitness, and the more consistent it is with the organization's goals.

The assessment function in the model includes consideration of the existing institutions and routines of the organization, as well as the idiosyncratic values, preferences and routines of the respondent. Ocasio (1997) argued that the 'answers' (or responses) a firm will identify are those that are available and salient within the organizational repertoire, in particular, those which are consistent with the 'rules of the game', or the organizational ideology (Meyer, 1982), or, in other words, the institutionalized routines, practices, and interpretations of the organization. Because of different structural positions (Lawrence & Lorsch, 1967), overlapping institutional memberships (Oliver, 1992), or personal characteristics, respondents in the same organization may respond somewhat differently to the same stimulus. Thus, both organizational and individual variables are important. An influence attempt for an action that is consistent with the normal routines, interpretations, practices and values of the organization or an individual respondent is more likely to be complied with than an influence attempt for an action that is not.

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[50] In the 'Predicted Response' column of Table 3.11, the responses are listed in order of compliance, with those to the left being most compliant, and those to the right being most resistant.

Proposition 5: The more congruent the action sought by a stakeholder through an influence attempt is with the routines, interpretations, practices and values of the individual or the organization responding to the attempt, the less resistant the chosen response.

Factors in the context will also have an impact on the response. Oliver (1991) argued that multiplicity of demand would reduce an organization's likelihood of acquiescence. While this may be true overall, it is also possible to refine the predictions somewhat based on the salience of the stakeholders involved. For example, if complying with a highly salient stakeholder's demand will put the organization out of compliance with other, less salient stakeholders, the organization is likely to comply. However, if such compliance puts the organization out of compliance with other highly salient stakeholders, compliance is less likely, and compromise is more likely. Ultimately, when demands from salient stakeholders conflict, the organization may have to decide with whom it will comply, and it may have to cut ties to other stakeholders. For example, MB had to drop out of the Forest Alliance when the industry group continued to advocate for clearcutting after MB had phased out clearcutting at the behest of environmentalists. BC's NDP government, faced with conflicting demands by loggers and environmentalists, initially attended to them sequentially. The government created parks and regulated forest practices in the early 1990s, then focused on maintaining forestry jobs in the late middle 1990s. By 1997, the NDP government's public responses to loggers and environmentalists' pressures were noticeably few: the government seemed paralyzed by the conflicting demands.

Proposition 6: When there are conflicting demands (i.e., complying with the demand of one stakeholder will put the organization out of compliance with other stakeholders), the firm is more likely to resist demands from less salient stakeholders or to compromise in meeting the

demands of several salient stakeholders. When demands from highly salient stakeholders conflict, the organization may have to choose which stakeholder to pay attention to (or attend to them sequentially), or risk paralysis.

The last variable to be considered is 'ties'. Oliver (1991) suggested that a highly interconnected context would lead to more acquiescent responses, since norms are more likely to diffuse among connected organizations, and the organizations can more easily monitor one another. However, as discussed earlier, when pressures for change come from unconnected groups in a highly interconnected context (e.g., new or marginal actors, actors from different fields), it is much more likely that the target firm will resist those pressures. If these pressures are contrary to norms in the interconnected setting, they will be perceived as illegitimate, and often defied. However, as ties between the target firm and the sources of influence attempts grow, less resistant responses become more likely. In this study, MB became more compliant with environmentalists and First Nations after building ties with them in the Clayoquot negotiations.

Proposition 7: High interconnectedness will lead to more acquiescence when the originator of an influence attempt and the target firm are interconnected, but will lead to more resistance when they are not. The development of ties between a stakeholder and the target organization will increase the salience of that stakeholder's influence attempt.

3.7. Discussion

The model of responses to stakeholder influence attempts presented in Figure 3.5 incorporates insights from existing stakeholder, institutional, and attention-based theory, along with insights grounded in the empirical case of MacMillan Bloedel's responses to stakeholder

pressures from 1979-1999. The model represents a contribution to current stakeholder literature in that it goes beyond stakeholder theory's stakeholder salience model (Mitchell, et al., 1997) by adding consideration of the stakeholder's actions to influence the firm, and by including contextual and institutional variables. The stakeholder salience model does not address the question of how stakeholders that begin with low salience can still influence an organization; in this study, I find that the salience of the influence attempt itself may override a stakeholder's lack of salience. This study also completes the chain from stakeholder salience to organizational response, going beyond the prediction of which groups the firm will scan to examine how the firm will react to a particular action by a stakeholder.

The model also contributes to Oliver's (1991) work, based in institutional theory and resource dependence theory, by adding the element of firm attention to stakeholder influence attempts. Furthermore, while Oliver's work is most applicable to institutional pressures for conformity, the more general model presented here enables the consideration of both pressures for institutional change and institutional conformity. It appears to capture the essential variables impacting MB's responses to stakeholder pressures. Salience of the stakeholder, salience of the influence attempt, characteristics of the influence attempt, its perceived legitimacy, and contextual characteristics are all assessed by a respondent depending on his/her organizational goals, on the institutions operating in the organization, and on the idiosyncratic characteristics of the individual him/herself.

Several other contributions emerged from the study in the areas of influence attempt salience, indirect influence, and the enactment of context. These are described below, followed by limitations, directions for future research, and conclusions.

3.7.1. Influence Attempt Salience

In this study, based on a synthesis of several literatures, I propose four characteristics of influence attempts that are indicators of the strength of attempts, impacting their salience. These are persistence, proximity, magnitude and distinctiveness. The context also affects the salience of the influence attempt, in that uncertainty and multiplicity in the context will create noise that makes it more difficult to discern influence attempts and their characteristics. Ties increase the salience of influence attempts from stakeholders to whom the target is connected, but reduce it for influence attempts from stakeholders to whom the target is not connected.

3.7.2. Indirect Influence

Environmentalists attempted to "shame" MB into changing its logging practices by calling into question the normative legitimacy of those practices (Suchman, 1995), despite the fact that environmentalists' themselves lacked legitimacy with MB. Although these normative influence attempts did not work directly on MB because the influence attempts were themselves perceived to be illegitimate, environmentalists *could and did* use indirect strategies to trigger change in MB. The normative influence attempts were designed to attack the company's legitimacy in the eyes of its most powerful stakeholder, government, and of the government's most powerful stakeholder, the public. McAdam, McCarthy and Zald (1996) argue that resource-poor stakeholders in social movements often have to do 'deviant' things (e.g., illegal blockades) in order to attract attention and access the media.

The environmentalists' appeals to the public were effective: public opinion polls showed environmental concerns topped BC residents' political priority lists.[51] The public accepted the legitimacy of environmentalists, and as a result, the government needed to see them as legitimate as well. Environmental concerns were election issues in the 1991 election, and the NDP party was elected on a pro-green platform. Many of the changes in forest practices and land preservation that ensued in the early to mid-1990s were results of the NDP government actions. Thus, while the normative influence attempts focused on MB as the villain, the *audience* for the influence attempts was not MB, but stakeholders that were salient to MB or its key stakeholders. It was only by using the salience of other stakeholders that environmentalists were able to enter the organizational field and influence MB. In effect, environmentalists raised the urgency of the public and the government on the issues of clearcutting and land preservation, and in turn, were able to benefit from the power and legitimacy these stakeholders possessed.

Appealing to third parties was a recurring strategic response to powerful stakeholder pressures, and a way to increase a group's influence in presenting an influence attempt. This was true for environmentalists and for MB. This response is the subject of further study in Chapter 5.

3.7.3. Enactment of Context

An interesting insight from this analysis is that the contextual variables included in the model (uncertainty, multiplicity and interconnectedness) are not purely 'objective' characteristics of the context, as work in institutional theory has implicitly assumed, but are, in part, enacted by the organization (Smirchich & Stubbart, 1985). Organizations respond to the multiplicity of demand and interconnectedness that they perceive in their environment. In this study, MB and

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[51] For example, a public opinion poll conducted in the Fall of 1989 found that 97% of BC residents felt that the

environmentalists both enacted their context. Multiplicity was initially fairly low, however in building coalitions with other stakeholders with more-or-less congruent goals, MB and environmentalists had to accept the less congruent demands associated with those stakeholders as well. Multiplicity increased in the context. Interconnectedness was also enacted: MB and environmentalists both created and severed ties at various times throughout the study period as their need for various relationships shifted. While interconnectedness has previously been examined at the level of the organizational field (Oliver, 1991), in this study, it mattered with whom the target shared ties, and ties changed over time.

The organization's response depends on the level of uncertainty it perceives, while the level of uncertainty that others perceive will condition their responses to the company's responses. Unanticipated responses may change the assessment of the firm about the uncertainty (predictability) of its environment. For example, for MB in period one, the context appeared to be fairly certain: the government made all land use and forest regulation decisions, and because the government shared the goals of the company to maximize the value of the forest resource, its land use decisions were predictable. MB responded accordingly. The government and the public recognized that there were other demands on the forests, however, and saw more uncertainty than MB perceived. In a way, the company's failure to note the uncertainty experienced by others in the field created more uncertainty for it later, when the company's dismissal of environmentalists' pressures resulted in MB's image problems with the public.

Both MB and environmentalists acted to raise the multiplicity of demand in the context. Environmentalists formed a coalition with First Nations and promoted both land claims and environmental causes together, bringing more salience to First Nations' demands than had

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natural environment was threatened (Stanbury, 1991).

previously been the case. Internationally, environmentalists activated other stakeholders to urgency, creating new pressures on MB from international politicians, celebrities, environmentalists and eventually, customers. MB responded by participating in the formation of the Forest Alliance to create counter-pressure, asking the government for its support in public relations efforts, and funding SHARE BC to spur loggers and forest-dependent community members to action. The framing of parks creation as job and revenue losses raised the urgency of other stakeholders, increasing the multiplicity of demand.

Interconnectedness also changed throughout the study period. In the beginning, the density of network relations was high, but it primarily involved a very tight group: forest companies and the BC government. Environmentalists and First Nations were outside the network of interconnections, and thus were less able to influence the norms and values in the context. When MB finally began to build ties with environmentalists and First Nations in 1994, the pressure of the conflicting value systems isolated the company from the rest of the industry. By 1997/98, the multiplicity of demand in the environment created paralysis (or institutional gridlock) for the government, who was charged with responding to all parties' demands. Unable to rely on the government to come up with a solution in the complex environment, MB found a suitable response (phasing out clearcutting) by consciously discarding its attention to multiple demands (focusing instead on environmentalists and profits), and reducing its interconnectedness. This action isolated MB from the rest of the industry even more, eventually culminating in the cancellation of its membership in the Forest Alliance. When Greenpeace expanded its campaign to include all coastal companies in 1998, however, the goals of forest companies realigned (now they were all subject to the pressures MB had experienced), and the coalition among them re-formed.

3.7.4. Limitations and Directions for Future Research

The model presented in this chapter is static, though dynamic effects become evident when the model is used recursively. The static model failed to predict some significant changes that occurred as a result of the cumulative impact of a number of influence attempts, though not as a direct consequence of a particular immediate attempt. The synergistic combination of influence attempts over time and the changes they wrought created discontinuities in MB's responses. These types of discontinuities can be captured by a more dynamic model. Discontinuities arising from persistent influences can come through organizational learning, through power shifts among organizational players with different perspectives, or through the disappearance of the mindguards who are maintaining institutionalized responses. These issues will be considered in more depth in chapter 4.

Future research into the dynamic aspects of influence attempts would be beneficial. As stakeholders and the target firm change the issue-environment by involving more stakeholders, they may gain support for their view but also add complexity to the environment, limiting the possibility for compromise. As the issue-environment becomes more complex, it becomes more difficult for any given actor to broker a solution to the conflict. Future research from a network perspective might analyze how organizations are able to draw other stakeholders into the conflict, and what the impacts might be.

It must be acknowledged that there are limitations to the data used in this study, as they are based in the responses of a single organization (MB), to multiple pressures in a single social context. The relationships shown in the model and the propositions presented require testing and validation. In particular, there were several categories for which no influence attempts were observed. This may have been a result of the idiosyncrasies of the context, or it may be that such

influence attempts are rare or non-existent. I have argued for each of these conclusions, depending on the category.

This study highlighted how individuals within a firm can make a difference in the organizational response. In particular, the hiring of Linda Coady and Tom Stephens at MB enlarged the set of responses that was available to the firm, and opened the firm to new stimuli. Further research on how individuals are able to gain organizational support to act in violation of the firm's existing institutions is an area that needs further research. Individuals in this study significantly impacted MB's learning. This area will be investigated more fully in Chapter 4.

3.8. Conclusions

In this study I have developed a model, grounded in both empirical and theoretical insights, addressing determinants of an organization's response to influence attempts from stakeholders in its environment. A set of propositions is advanced along with the model to allow refinements in predictions.

The model extends beyond the stakeholder salience model (Mitchell, et al., 1997), by considering not just which stakeholders an organization scans, but also how the organization responds to active influence attempts by stakeholders that may or may not be salient. The model is more general than the framework presented by Oliver (1991), in that it is equally capable of handling both pressures for institutional conformity and pressures for institutional change. This is of significant benefit, in that institutional theory has been criticized for its inability to identify determinants and processes of institutional change (Brint & Karabel, 1991; Barley & Tolbert, 1997; Hirsch, 1997; Hirsch & Lounsbury, 1997; Hoffman, 1999).

The model also incorporates characteristics of the influence attempt itself, suggesting that influence attempts will be differentially salient depending on their characteristics, and that the legitimacy of the influence attempt will moderate an organization's response. The model also draws on social cognition research and Ocasio's (1997) attention-based view of the firm to provide insights on which 'issues' will capture the firm's attention, and which 'answers' are more likely to emerge from an organizational decision-making function.

As stakeholder environments continue to become more complex for firms, and as advocates of various positions gain more power and influence in corporate and political environments, we need a way to understand how organizations will respond to influence attempts. Greenwood and Hinings (1996: 1022) contend "the complexity of political, regulatory, and technological changes confronting most organizations has made radical organizational change and adaptation a central research issue". Kondra and Hinings (1998) suggested that two fundamental questions remain unanswered in institutional theory: from where does the impetus for change come, and how do organizations respond to pressures for change? This study represents an attempt to build and synthesize theory to address these fundamental questions.

CHAPTER 4:

THE ORGANIZATIONAL LEVEL – FACILITATORS AND IMPEDIMENTS OF ORGANIZATIONAL LEARNING PROCESSES

4.1. Introduction

Chapter 3 examined a static model of organizational response to influence attempts from the external environment. In that model, influence attempts were interpreted by organization members based on the existing institutions of the organization (which are shaped by institutions in the field), organizational goals, and the idiosyncratic characteristics of the respondent him/herself. Organizations and individuals have interpretive frames through which they assess external stimuli. The organizational interpretive frame shapes the frames of members. However, members of a firm may also have other memberships (for example, in churches, communities, or social groups), in addition to beliefs and norms shaped by their idiosyncratic experiences, which cause their interpretive frame to be somewhat different from the organization's. Even functional differentiation within an organization leads to frame differentiation (Lawrence & Lorsch, 1967) as individual roles and interaction patterns create a focus on different elements of the environment.

Empirically, there was evidence of this differentiation in Chapter 3 in several instances. First, early influence attempts by environmentalists and First Nations were defied by local managers, and dismissed by senior managers. It was the responsibility of local managers to deal with the influence attempts. It was also shown that individual managers that had attempted to understand environmentalists' pressures had ideas for more environmentally-friendly logging in

period 2, but that these ideas 'got nowhere.' In addition, there was a marked divergence between the more holistic interpretations of those directly involved in negotiations in Clayoquot in period 4, and the senior executives who were looking for a 'quick fix' in Clayoquot to solve all their social problems. Some employees changed their interpretations (or 'learned') earlier than others, but the diffusion of new interpretations within MB did not take place until period 5 and beyond, when the power shifted to allow the new interpretations to take hold.

In the current chapter, the focus is on internal learning processes and power shifts at MB, the institutionally entrepreneurial firm, to understand how learning was first blocked, and then facilitated in what seemed like a dramatic change in 1998 (discontinuing clearcutting). The research questions are thus: 1) how did this dramatic change happen? and 2) why did it take so long? The second question can be rephrased as 'how was the learning blocked at MB?'

In attempting to answer these questions, it became apparent that a distinction needed to be made between MB, the organization, and the people within MB. In line with Goffman (1959), I refer to MB's public and officially endorsed actions and interpretations as 'the frontstage'. Frontstage performances are composed of impression management attempts. The actor (or coordinated group of actors) attempts to create an image that is consistent and tells a story about the actor to the audience. When the performance is a group performance, there is a 'veneer of consensus' (Goffman, 1959: 9) among organizational actors in the frontstage tale. Goffman suggested that the veneer would be thin, since not everyone would agree to a fuller interpretation. In business organizations, hierarchical power facilitates coordinated performance, since an actor's failure to exhibit the scripted role can get him/her thrown off the stage. The frontstage view privileges the perspectives of senior executives since they often craft and approve the script.

'The backstage' is composed of the non-official behaviours and interpretations of the employees and managers, including those that knowingly contradict the frontstage performance. Admitting questions about the script, arguing over interpretations, checking one's costume and rehearsing are all backstage behaviours (Goffman, 1959). The backstage may be conflict-ridden and attention to it highlights heterogeneity of cognitions and actions among organizational members and subunits. This heterogeneity and conflict must be hidden from the frontstage: signs of it would prove embarrassing to the company as they would conflict with the firm's overarching image message. However, on the backstage, this conflict can be played out. Power contests and normative changes can happen gradually on the backstage, to the point where the frontstage image may no longer be consonant with the views of the majority on the backstage. If power shifts to privilege previously backstage views, changes on the frontstage may appear abrupt and radical, since the evolutionary phases on the backstage remained hidden from public view.

At MB, the frontstage performance remained intransigent toward environmentalists until the power shifted in 1997/8. However, there was significant learning and changes of interpretations on the backstage among those actors who were charged with dealing directly with environmentalists. They questioned the script and even staged 'off-Broadway' productions (or experimental theatre) in Clayoquot Sound to rehearse a new script. The new script did not make it to the mainstage, however, until the power shifted to privilege those who had learned, changed interpretations, and devised a new script.

This discussion highlights the fact that organizational learning is a multilevel process, with differences in learning happening at various levels and within various functions of the organization. In this chapter, the focus is on a multilevel, process approach to organizational

learning, to identify how MB moved from intransigence to innovation. Greenwood and Hinings (1996) have argued that organizational learning and organizational cognition should be a part of investigations of institutional change, as we currently know little about how actors discover and implement new ways of thinking and organizing in organizations. This chapter integrates learning and cognition principles with those of institutional theory to build a multilevel, process framework of institutional entrepreneurship.

The learning literature highlights that many previously successful firms fail to adapt to changes in their environment (Starbuck and Hedberg, 1977), becoming constrained by the firm's dominant logic (Bettis and Prahalad, 1995; Prahalad and Bettis, 1986) or prior competency (Levinthal and March, 1993; Levitt and March, 1988; March 2001). Other firms manage to adapt through 'feedforward learning': the development and assimilation of new learning by individuals at group and organizational levels (Crossan, Lane and White, 1999). Feedforward, these authors say, relates to the exploration of new learning, while feedback relates to the exploitation of previously institutionalized learning (March, 1991). In other words, feedforward learning moves outside of the constraints of firm-level institutions, while feedback processes are guided by institutions and exploit prior knowledge efficiently by supplying agreed upon responses to usual stimuli. In this chapter, I explore the tension between feedforward and feedback learning, examine the processes by which feedforward learning unfolds and leads to strategic change, and identify the facilitators and impediments of feedforward learning processes.

4.2. Theory Development

Organizational learning literature has suffered from a failure to integrate prior research (Easterby-Smith, Crossan and Nicolini, 2000; Glynn, 1996; Huber, 1991; Kim, 1993). Crossan,

et al. (1999) proposed a preliminary integrative framework of organizational learning processes and encouraged other researchers to refine it. The model identifies four processes of organizational learning (intuiting, interpreting, integrating and institutionalizing) and spans three levels of analysis (individuals, groups and organizations).

Individuals identify new ways of thinking or acting through a process of *intuiting* (Crossan, et al., 1999; Nonaka and Takeuchi, 1995; Simon, 1991), a largely subconscious recognition of new patterns and/or possibilities based on prior experiences, images and metaphors (Crossan, et al., 1999; Weick, 1995). Individuals think about their intuitions and share them with others, engaging in individual and collective *interpreting* or sensemaking (Weick, 1995). Pre-verbal intuitions are shaped and shared via conversations, metaphors and imagery (Crossan, et al., 1999). During the interpretation process, existing cognitive maps are revised and new maps of the learning domain develop (Huff, 1990). Individuals' cognitive maps will be affected by the context, but will also affect what is interpreted from the context.

Group interpreting facilitates the development of shared understandings and prompts *integrating,* which focuses on coherent, collective action within a group. Shared understandings become preserved in language, embedded in shared cognitive maps, and enacted in a coordinated fashion. *Institutionalizing* involves embedding new actions and interpretations into the routines, rules, information systems, strategy and structure of the organization (Crossan, et al., 1999).

In the Crossan, Lane and White (CLW) model, feedforward learning progresses from individuals' intuiting processes, through group interpretation and integrating, to institutionalizing at the organizational level. Feedforward enables the crafting and assimilation of new solutions and is the primary mechanism for organizational adaptation. In feedback processes, learning that has become institutionalized guides and constrains future individual and group learning, helping

firms to exploit their existing knowledge. Both feedforward and feedback mechanisms are required for a firm to benefit from learning, but resolving the tension between them is difficult (March, 1991; Crossan, et al., 1999).

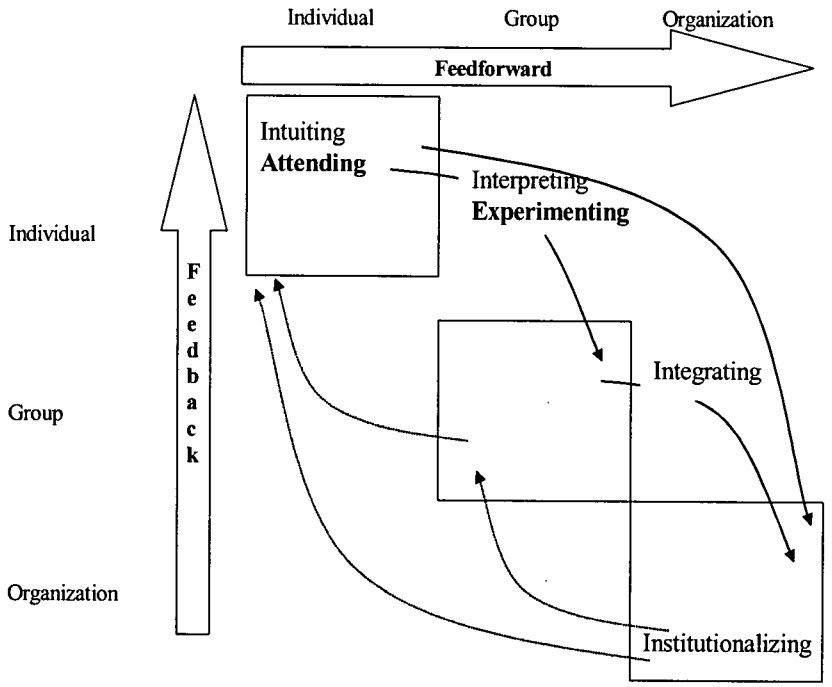
Under stable conditions, exploitation of institutionalized learning is efficient. However, shared interpretive frames limit the ability of group members to notice and interpret discrepant information (Ansoff, 1977; Bettis and Prahalad, 1995; Voss, 1996), thereby reducing the firm's adaptability. When the environment changes, reliance on existing knowledge may suppress individual intuiting and/or block it from feeding forward through the group and organization levels of learning.

The purpose of this exploratory study is to empirically challenge and validate the CLW model, and develop theoretical nuances that enrich overall understanding of organizational learning processes. Detailed longitudinal case studies are a particularly appropriate method of studying institutional change processes (Greenwood & Hinings, 1996), especially when existing theory is at an early stage of development (Eisenhardt, 1989). The longitudinal case study of MB studied here is context-sensitive and draws on multiple sources of data, consistent with the recommendations of Pettigrew (1985).

This investigation adds several insights to the CLW model. First, the study suggests that organizations may get caught in a *legitimacy trap*, rejecting opportunities for adaptive learning when signals of misalignment come from sources they perceive to be illegitimate. Next, the CLW model is extended by the addition of two different processes of feedforward learning (see Figure 1). First, while the CLW model focuses on intuiting at the individual level (described as often pre-verbal and subconscious), I find evidence for a more active process of information seeking from the environment. Kleysen and Dyck (2001) also noted this process, which they

labeled '*attending*'. I adopt the term. Secondly, in the CLW model individuals interpret (describing their insights to themselves and to others). I find a parallel, active learning process: '*experimenting*'. Individuals and groups experiment, and the results of their actions add substance to their cognitive interpretations. While Crossan, et al. (1999) discussed the importance of the reciprocal influences of cognition and action and stated that shared interpretation can be facilitated by leading with action, the label "interpreting" suggests a cognitive emphasis. In this study, action involved experiments that generated additional data for interpreting. The results of unsuccessful experiments can be used to adjust interpretations, while the results of successful experiments can assist intuiting individuals in integrating and institutionalizing their learning.

Figure 4.1: An Extended Framework for Feedforward Learning Processes



A preliminary list of facilitators and impediments of learning processes is presented. While others have identified factors which could impact firms' overall learning (see, e.g., Fiol and Lyles, 1985; Nevis, DiBella and Gould, 1995; Szulanski, 1996), in this study, specific facilitators and impediments for each of the feedforward learning processes involved in the extended CLW model are identified and discussed (Table 4.1).

Finally, the characteristics of the research site illuminate the influence of internal power and politics and contextual factors on learning processes. I find that intense external pressures may lock firms into their institutionalized routines. However, open-minded individuals with direct exposure and relational ties to promoters of alternate views can initiate feedforward learning processes. Learning can be facilitated or impeded by power.

As suggested by Crossan, et al. (1999), the learning process appears more staccato and disjointed at the organizational level, even while it may be continuous and incremental at the individual level. Shifts in power (for example, through the sudden endorsement of a practice by the current leader, or through a change in leadership, as was the case at MB) explain the discontinuities on the frontstage, providing an explanation for Romanelli and Tushman's (1994) finding that most organizations go through major transformations instead of incremental change. While the frontstage (or officially endorsed, publicly acknowledged) change looks radical and discontinuous, surfacing the backstage voices and actions reveals a different story of more gradual learning which prepares the organization for frontstage transformations (Goffman, 1959). Power shifts can also evolve gradually on the backstage, but may remain hidden from view until the frontstage transformation.

Table 4.1: Facilitators and Impediments of Organizational Learning Processes

Feedforward Mechanisms	Facilitators	Impediments
Intuiting/Attending ↓ **Interpreting** *Level: Individual*	*Situation: (attending)* ▪ Direct exposure to alternate views ▪ Relational ties with those holding alternate views *Person: (intuiting)* ▪ Unconstrained actor ▪ Openness to divergent views	▪ Isolation from direct pressures ▪ Previously institutionalized learning in the firm and the field ▪ Perception of illegitimacy of pressure source
Interpreting/ Experimenting ↓ **Integrating** *Level: Individual to Group*	▪ Autonomy of action or endorsement by powerful others ▪ Social skills to make meaning for others ▪ Internalization of divergent stakeholder views ▪ Joint sensemaking through data collection and modeling ▪ Allocation of power and resources to integrating	▪ Isolation of new learning
Integrating ↓ **Institutionalizing** *Level: Group to Organization*	▪ Erosion of support for previously institutionalized interpretations ▪ Endorsement of trusted niche representatives ▪ Evidence of the solution's effectiveness	▪ Isolation of new learning

The backstage learning, in effect, provides the organization with the 'absorptive capacity' (Cohen and Levinthal, 1990) that it requires to make the discontinuous shift. Absorptive capacity is defined as "the ability to recognize the value of new, external knowledge, assimilate it, and apply it to commercial ends" (Cohen and Levinthal, 1990: 128). The ability to assimilate new knowledge, according to Cohen and Levinthal (1990), depends on the organization having prior knowledge to act as 'conceptual hooks' on which to hang the new knowledge. Ansoff (1977: 56) similarly suggested that "typically only historically familiar raw data find their way into the interpreted consequences. Reports on unfamiliar discontinuities, if they find their way into the firm, remain in raw form, because the methods and approaches for converting them into action

typically do not exist". Surprising threatening information is rejected by managers because it seems too abstract and unreliable, or irrelevant to the firm (Ansoff, 1978). When backstage learning provides knowledge that is in the neighbourhood of an eventual solution, it enables managers to make ready connections to the solution, both within their own minds, and also publicly through organizational communications. Because the solution (or other, related options) is rendered 'familiar', and can be categorized via an existing schema, it can be more easily accepted and implemented. Without this backstage development of absorptive capacity, the imposition of radical change on the frontstage would be difficult and likely to fail. A leader proposing a radical change may be resisted by organization members who don't accept the change as appropriate, or who don't know how to implement it. The absorptive capacity may be isolated in pockets of the organization, however, and thus integration and institutionalizing of the knowledge is important.

The methodology is presented in the next section. In the third section the processes of change that occurred at MB are analyzed, tracing learning through individual, group and organizational levels, and identifying the factors that facilitated or impeded learning processes. This chapter closes with implications for further research.

4.3. Methodology

4.3.1. Data

This chapter begins with the stories developed in chapter 3, which themselves emerged from the chronological narrative in Appendix 2 and the event and activity listing discussed in Chapter 2. The stories are then enriched with a deeper focus on MB members' interpretations of actions, relationships and responses. As such, this analysis depended most heavily on the

interview data from MB members, though public speeches and public statements in the press by MB members were also assessed.

4.3.2. Analysis

Consistent with the multilevel framework advanced by Crossan, et al. (1999), the data were further sorted into individual, group and organizational levels of analysis. Intervals in which learning appeared to move from one level to another were identified, then compared to the CLW framework to identify when the processes described in the model held, and when they did not. Two additional processes were identified (*attending* and *experimenting*) to describe those data that did not fit into the processes of intuiting, interpreting, integrating and institutionalizing. The CLW processes were validated empirically. Factors that facilitated or impeded the six processes were identified through the following procedure: causal statements were generated for each of the processes using all the sources of data described in Chapter 2. Similarities and differences were noted among the causal statements, and, in the process, more abstract categories emerged. Once categories were generated, the data were revisited to ensure that all of the causal statements were accounted for by the more abstract categories.

The chapter proceeds by first examining the front stage story at MB, in which learning was highly constrained by existing institutions (feedback learning in the CLW terminology). Next, the backstage, more exploratory learning is presented, with a discussion of how new learning reached the front stage. Because the gist of the action/response stories were presented in Chapter 3, they will only be referred to in outline here, with relatively more attention paid to how different actions/responses were interpreted.

4.4. Processes of Learning

4.4.1. Feedback Processes on the Front Stage: Caught in a Trap

The frontstage performance is often an active attempt by an organization to create an image for itself and influence the definition of the situation that another party applies (Goffman, 1959). It privileges the perspectives of senior executives because they write the script and direct the performance. Because the frontstage performance involves a veneer of consensus and attempts at maintaining consistency (Goffman, 1959), the front stage view presents the organization as a cohesive unit with a consistent image and identity. It reflects 'the company position', or the commonly accepted understanding of how the organization characteristically interprets issues (the 'dominant logic' according to Prahalad and Bettis, 1986; Bettis and Prahalad, 1995). The dominant logic informs and explains the frontstage performance. The stories told in Chapter 3 reflect primarily MB's front stage account, though hints of the backstage are included.

As one of the oldest and most respected companies in BC, and the largest company in BC's largest industry, MB carried significant weight in the province with the government, the public, and other members of the industry. MB was the first company to begin an intensive silvicultural program and it advocated sustainable forestry before the term was invented. MB employees and managers had a strong sense of the status of their company as an integral part of the province's economy and of its legitimacy as a solid environmental citizen.[52]

"In the past, we've always prided ourselves, at least when I first started working with MB, we thought of ourselves as leaders in the industry in silviculture and

[52] MB had an environmental compliance record that was somewhat better than the provincial average.

forest management. We were doing the best job. We were doing it better than the government and so forth." (MB Environmental Employee).

When environmentalists and First Nations pressured MB to stop clearcutting old growth forests in the mid-1980s, MB executives ignored or dismissed these pressures as unimportant. Environmentalists were seen as fringe stakeholders who were ignorant of proper forestry methods and the business of forestry. The company, industry and government equated logging with 'tree farming', and clearcutting was known through forest science and the forestry profession to be the right method of harvesting to maximize long-term growth and yield of the forest. The government mandated clearcutting via legislation. Clearcutting was the management paradigm that was widely accepted by professional foresters. Continuing to clearcut involved the exploitation of prior learning from both MB and the organizational field.

In the late 1980s, when public support for environmentalists (and against forestry companies) grew, First Nations won the right to stop the logging of Meares and South Moresby Islands in the Supreme Court, and the BC government created a park in South Moresby, MB responded to these escalating pressures by further defending clearcutting and cutting rights. MB executives claimed environmentalists were liars and that they dramatized visual images of clearcutting as a way of raising money. Environmentalists' claims of 'forest rape' and 'rainforest ravaging' were publicly decried as lies, and environmentalists were seen as illegitimate by MB managers. These views persisted at the executive level until MB's leadership changed in 1997.

"We always felt that the environmentalists didn't need to have truth on their side, just like the unions. They could raise a big enough stink that it didn't matter that they didn't have the facts all right." (Former MB Executive).

The conflict was labeled the 'war of the woods', and environmentalists were the 'enemies'. This guiding metaphor polarized the conflict, such that no compromise seemed possible. According to several interviewees, employees were forbidden to speak of environmentalists' claims with senior management. Individuals on both sides of the war were accused of being 'traitors' if they expressed any sympathy or understanding for the other side. To compromise was seen as 'surrendering' and admitting guilt.

> "Our inclination was to fight. Managers ... took the position that we were doing better than anyone else in the world, and that we didn't do anything wrong. **And we didn't do anything wrong.**" Interview with Former MB Executive.

> "We really believed we were doing the right thing, and now we had to acquiesce. [The Chairman of the Board] didn't want to do this or admit that we were wrong **– and we weren't wrong.**" (Former MB Executive).

MB (and the industry) began its own public relations campaign, and stepped up logging plans in some areas that environmentalists were attempting to have preserved. When the government pressured MB to concede cutting rights, MB offered a token amount, and then sued the government when it demanded more concessions.

Note that pressures on MB were now coming from sources that were considered more legitimate to the company: government, the public, and after 1991, MB's own customers (who had been pressured by environmental groups). MB made some concessions to these pressures, but saw them as isolated sacrifices necessary to assure business as usual in the rest of the forest, decoupling areas like Clayoquot Sound from the company's main operations. Until 1997, MB continued to defend clearcutting as the right way to log for silvicultural, economic and worker

safety reasons. MB's very public commitment to the practice of clearcutting made it more difficult for the company to change.

According to the literature, firms can become misaligned to their environments in the face of external changes (Bierly and Chakrabarti, 1996; Miller and Friesen, 1984) when they become caught in a competency trap (Levinthal and March, 1993; Levitt and March, 1988) that locks them into exploiting previously successful routines. New conditions either go unnoticed (Prahalad and Bettis, 1986), or are discounted as transient and insignificant (Starbuck and Hedberg, 1977). Adaptation failures result.

In the case of MB, however, the stimuli were clearly noticed. They extended over 15 years and cost the company significant sums in legal fees, public relations, loss of cutting rights, and the implementation of new forest practices. Yet the company continued to actively resist these pressures even when doing so was economically detrimental.

This dysfunctional resistance can be compared to the phenomenon of escalation of commitment in investment project decisions (Staw and Ross, 1978). Decision-makers tend to escalate their commitment to a failing course of action when they themselves made the decision, perhaps to signify to others that they were right (Schwenk, 1986) or to save face (Brockner, Rubin, and Lang 1981). Escalation is also more likely when decision-makers have defended their decision either publicly or privately (Bobocel and Meyer, 1994). In the case of MB, key executives both made and defended the clearcutting decisions, publicly arguing for the practice. One interviewee commented that the defense of clearcutting had been so strong that the feeling was that forest companies would not be in business if they could not clearcut.

The moral nature of the arguments also appeared to have a strong impact. Environmentalists' attacks on MB's moral legitimacy were seen as unjust and unfounded.

Executives showed moral indignation in response to environmentalists' accusations. A move away from clearcutting was seen by MB executives as an unwarranted admission of guilt.

This moral indignation is associated with what I call a *legitimacy trap.* A legitimacy trap occurs when an organization, in striving to defend its own legitimacy, dysfunctionally resists external pressures because it deems them illegitimate. In a legitimacy trap, direct pressures from an external group are not seen as signals of misalignment with the external environment, but rather as attacks on the organization. The view of the attacker as enemy polarizes the debate, making mutual understanding difficult and making compromise seem like surrender. Firms resist external pressures for self-defense and self-justification reasons, and emotions run high.

The legitimacy trap shares some elements with the competency trap in the sense that the firm relies on institutionalized norms. An important distinction, however, is that moral indignation implies active defense of those norms rather than taken-for-granted reliance on them. In a legitimacy trap, organizational members actively defend institutionalized norms. The legitimacy trap also implies escalation of commitment to these norms. Therefore, entrenchment under the legitimacy trap is likely to be more emotionally based, and long lasting.

> "It's contentious. You are challenging people's basic assumption about who they are and what they are doing. It's painful. There are huge issues around appearing to give in to pressure on issues." 1999 Interview with MB Executive.

Prior work highlights subtle processes by which institutionalized knowledge impedes the assimilation of new knowledge. Systems of resource allocation, information and communication constrain the free flow of intuition and interpretation, such that opportunities for learning may not be recognized (Crossan, et al., 1999). In the case of MB, the process is more active: MB executives *chose* to stay entrenched in past practices in the face of direct pressure and arguments

for alternatives, even when that decision proved costly. Executives isolated themselves from environmentalists' pressure by discouraging discussion of such pressures. MB executives did not overlook, but rather *rejected* the opportunity for learning. MB's adherence to its institutionalized practices was influenced by external support of legitimate players in its organizational field, and the dynamics of the legitimacy trap.

However, while the company and its top executives officially acted in line with previously institutionalized practices and interpretations, there were individuals within the company that did notice the need for a more proactive stance towards environmentalists. These individuals engaged in feedforward learning processes on the backstage.

4.4.2. Feedforward Learning on the Backstage

Despite MB's public defense of clearcut logging, processes of intuiting, interpreting and integrating new ideas were occurring within various parts of MB at various points in time. These ideas remained isolated from mainstream operations, yet they gradually evolved and provided foci for later integrating and institutionalizing at the group and organizational levels.

4.4.2.1. Attending, Intuiting & Interpreting: Internal Pockets of Organizational Learning

Initially, logging managers in the field and later, public relations officials acted as boundary spanners, absorbing the uncertainty associated with environmental pressures (Thompson, 1967). People exposed to strong, consistent minority positions start to privately question their own views, wondering, "How could someone be so wrong and yet so certain of his or her position?" (Weick, 1995: 141). Private reflection stimulates greater consideration of

alternatives. At MB, some members in direct contact with environmentalists began to diverge privately from MB's dominant frame – yet most of them were isolated from the head office.

A logging operations manager recalled that he questioned the practice of clearcutting after being appalled by MB's handling of First Nations protests in the mid 1980s: he knew and liked the protesters, having previously lived and worked with them in a remote community. The *'relational ties'* he felt with promoters of alternate views influenced the way he *attended* to their protests and stimulated individual reflection and intuition. He began to doubt the legitimacy of the company's arguments about wealth creation in the face of other value systems.

Initially, senior MB executives were buffered from such isolated learning. When the government and customers became more active in pressuring MB for change, the corporate public relations staff became involved, and they, too, began to question the status quo.

> "One thing we haven't been as effective at is getting the company to recognize where the value system of the public has moved to and getting the company to move. We don't have to cave in to extremists, but we need to stay in sync with public values." MB Frontline PR Staff Member in 1994.[53]

Organization members related that two people were most influential in bringing about changes at MB prior to 1998. WC (VP and Chief Forester) was described as being particularly reflective, well read, and able to have a conversation with just about anyone. He had, on his own initiative, researched ecology and biodiversity. The other (LC, VP, Environmental Affairs) was described as someone who could 'think outside the box', and who had strong relational ties with environmentalists, government and other stakeholders. Both WC and LC *actively sought and integrated divergent viewpoints* from outside organizational boundaries.

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[53] Alan Stubbs, MB Journal, 14(9), September 1994.

LC was hired as Director of Public Affairs in late 1993. This move coincided with an escalation of pressures from the government and MB's customers. LC quickly identified that MB lacked a 'green voice', and with her promotion to VP three months later, she became that voice, exposing executives to environmental pressures. LC had direct exposure and relational ties to environmental activists.[54] She was also an 'unconstrained actor' (Cliff, 2000): coming from outside the field, her perception was less constrained by field- and organization-level institutions. WC was promoted to VP and Chief Forester at about the same time. He was known as someone who could 'talk to [MB's] critics' and he had the field experience and credibility within the company that LC lacked. He, too, had direct exposure to environmental activists (and other stakeholders) and brought their views into the company at the executive level.

In summary, I find support for Kleysen and Dyck's (2001) addition of *attending* to the CLW model. At MB, learning arose not only from subconscious and pre-verbal internal intuiting processes, but also from careful attending to external stimuli – in this case to MB's critics. However, exposure to external information did not necessarily lead to change. Only those who actively attended to sources of information that were discrepant with the company's dominant frame intuited new possibilities.

Attending, intuiting and interpretation worked together in that external stimuli sparked intuiting and became internalized through individual interpreting processes. Individuals caught in the legitimacy trap also attended to this discrepant information because the external stimuli were pervasive and persistent. However, they framed environmentalists as illegitimate enemies, causing them to reject the stimuli.

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[54] One example is LC and AC of the Western Canada Wilderness Committee becoming friends, despite being on opposing sides. Another is that LC and Greenpeace campaigner KM both had babies about the same time and lived in the same neighbourhood: 'stroller diplomacy' ensued.

In opposition to the dominant frame, LC and WC attempted to understand environmentalists' concerns. Both LC and WC had the social skills described by Fligstein (2001) as necessary for institutional entrepreneurship. They were able to understand others' perspectives and make meaning for others in a way that enabled future cooperation between environmentalists and MB.

Attending, intuiting and interpreting were influenced by both 'situation' and 'person' variables. First, organization members were more likely to perceive other views without immediately dismissing them when they had direct exposure to people with other viewpoints, especially when they had established relational ties to these people. This is consistent with Wooldridge and Floyd's (1999) assertion that new ideas, or knowledge that is inconsistent with dominant belief systems, come through bridging relationships and weak network ties. Secondly, open-minded, reflexive individuals who actively sought and attempted to understand divergent views were more likely to engage in the feedforward learning processes of intuiting and interpreting. Thirdly, unconstrained actors were better able to perceive divergent views.

New problems in the external environment often trigger power shifts within the organization to those actors who are better able to deal with the new problems (Thompson, 1967). As external pressures intensified and were embraced by more legitimate stakeholders, an internal power shift in favour of those who could make sense of external pressures was observed at MB. The senior management team shifted in 1994 to admit individuals (LC and WC) who were better able to deal with green issues. Although both LC and WC held staff positions that were isolated from the mainstream logging operations, their new power as senior managers enabled experimentation and laid the framework for later integrating.

Initially, MB's head office was buffered from the isolated learning that took place in the field. Later, as pressures began to come from the government, customers and communities, corporate public relations personnel became involved (though at a first line and middle manager level, not at senior levels). During this period, senior MB executives were not directly involved with environmentalists – except when the latter protested at board meetings. Once the avenues of *direct exposure* between frontline personnel (logging managers, public relations and environmental affairs) and the senior management were opened, the incidents of intuiting multiplied. They also spread throughout the organization.

4.4.2.2. Experimenting and Interpreting: Building the Framework for Change

Where intuiting/attending forestry managers had sufficient *autonomy* to act on their individual views, several small experiments in partial cutting took place in contested areas in the late 1980s and early 1990s. For example, managers opened a process of community consultation when Galiano Island residents opposed clearcutting, after which they implemented partial cutting. The experiments were criticized inside MB but welcomed by outside groups:

> "We took a lot of flack from our professional colleagues ... [for] not maximizing growth and yield ... The only thing was, we did it, and nobody sat in the road, nobody wrote nasty letters to the newspaper, and nobody complained to our customers." MB Executive.

These logging experiments became part of the organization's behavioural repertoire, or, as one interviewee described it, the 'genetic code' of the organization, and laid the framework for later alternative responses.

A different set of experiments began in MB's stakeholder sphere in 1994. Negotiations commenced with environmentalists over Clayoquot Sound, initially covertly, but later they were continued with the *endorsement* of MB executives. While senior executives interpreted these experiments as isolated responses to isolated pressures, those directly involved saw them as the beginning of a growing understanding and sophistication with respect to environmental issues (and the emergence of new norms in response to new pressures). Like Fligstein's (2001) institutional entrepreneurs, those involved in stakeholder experiments did not come with predetermined solutions, but took what the environment had to offer, created the conditions for cooperation via meaning making, and allowed new solutions to develop through cooperative interaction. Their social skills helped to develop the 'capacity for action' that Greenwood and Hinings (1996) suggest is essential for radical organizational change.

> "We were able to convince our colleagues that we had to have a few spots in our company where we were doing something different. The emphasis at that point was we can do this here, but God help you if it spills over there because the cost would be prohibitive. So we started a few discrete projects, and of course, inevitably the projects became bones of contention within the company because they were so different from the whole structure of volume-based industrial logging. So we started to painfully hack away at that within ourselves. We were a house-divided on that... Where people have not been exposed to it, there is not a great deal of sensitivity...Most of the environmental things they are looking at are still quite ghetto-ized and extraneous." MB Executive in 1996.

At MB, *experimenting* was an action-based learning process that stood alongside the more cognitive process of interpreting. Individuals and groups acted on, tested and developed

their interpretations via experimenting. The process of experimenting is therefore added to the process of interpreting in moving from individuals to groups. Experimenting was only possible when experimenters had either the *autonomy to act alone* or the *endorsement of someone in power*. Broader integration of successful experiments was constrained, however, by a deliberate *isolation of feedforward learning* from mainstream operations. There, the previously institutionalized practices continued to dominate.

4.4.2.3. Erosion of Support for Institutionalized Interpretations

While LC, WC, and some public relations and operations staff noted, expressed, and acted on their doubts about the company's official position on clearcutting and environmental issues, confusion was building up across other levels of the company. Many forest workers saw protesters every day at the blockades. Many lived in communities that had turned against MB, and they heard criticisms of MB's logging practices from their neighbours. Their children were occasionally harassed at school. Senior managers assured them that what they were doing was right, but the legitimacy of MB's practices was very publicly challenged. Employees lost faith in the legitimacy of the company's position, eroding the support for previously institutionalized interpretations and creating cognitive dissonance among employees (Festinger, 1957). The dissonance increased individual and group efforts to interpret the situation, heightening the willingness of organizational members to integrate and institutionalize a new normative framework. However, no true alternative emerged until 1998.

The doubts about institutionalized interpretations happened primarily at an individual level. However, the official commitment to the war metaphor made it 'traitorous' for individuals to express doubts about their company's position or to express understanding of the 'enemy's'

position. Thus, the change was not an organizational 'social movement', defined by Zald and Berger (1978: 828) as "the expression of a preference for change among members of a society." Preferences for change were ill-formed (an alternative was undeveloped), and not expressed publicly. There was not the reformative or competitive value commitment described by Greenwood & Hinings (1996) as an essential part of radical organizational change, but instead, normative fragmentation (Oliver, 1992)[55] and confusion. Individuals doubted, and their doubts had the effect of gradually eroding the support for the collective normative framework, setting the stage for rapid adoption of an alternative once one emerged. This can be compared to deinstitutionalization (Oliver, 1992) in the institutional literature, or unlearning in the organizational learning literature (see, e.g., Hedberg, 1981). Unlearning and deinstitutionalization are both thought to be essential (in their respective theories) to allow new interpretations to take hold (Starbuck & Hedberg, 1977; Greenwood, Suddaby & Hinings, 2002).

4.4.2.4. Interpreting and Integrating: Bringing in Conflict and Reaching Agreement

The 'isolation constraint' remained in place at MB until the power shifted through leadership succession, as Tom Stephens became CEO in late 1997.[56] Coming from outside of BC's forest industry, Stephens was an unconstrained actor. He redefined the basis of legitimacy

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[55] Normative fragmentation refers to "a loss of cultural consensus or agreement among organizational members on the meanings and interpretations that they attach to ongoing organizational tasks and activities" Oliver (1992: 575). Factors identified by Oliver that increase normative fragmentation are high turnover, leader succession and increases in workforce diversity. She also talks about pressures arising from mergers and alliances and from state and societal forces. In the MB context, the prolonged and very public external assault on MB was a societal force that caused changes in the interpretations of individual members of the company without significant changes in membership.

[56] Stephens was hired after action by institutional investors because of MB's poor financial performance, not its social performance. However, it may be that MB's deliberate isolation of new learning and adherence to its old dominant frame in the social setting was symptomatic of the company's failure to learn more generally.

for the rest of the company, focusing employees' attention on MB's 'social license', instead of the company's fit with industry norms in a change of organizational goals. He appointed WC, the Chief Forester, to head a cross-functional team to find a new way to do forestry that would help the company preserve its social license to operate, thereby *allocating power and resources* to facilitate integrating.

The Forest Project team[57] devised a set of objectives that included the stated needs of all constituents. Individual *niche representatives,* who often had relational ties to their niches, internalized the stakeholder interests to which they attended, with the effect that the full range of forestry conflict was represented within MB's Forest Project. For example, the logging manager represented safety and harvesting issues, LC represented stakeholder interests and a forest economist represented financial concerns. Because the objectives of niche representatives were diverse, team members privately felt there was little hope of arriving at a solution.

However, team members agreed on what constituted valid data and analysis, and solicited the help of internal and external consultants to build financial, ecological and social models. Team members jointly identified various options for acting on clearcutting and old growth forest issues and, using simulations, identified the implications of those options socially, economically and ecologically. Within the team, tacit assumptions were surfaced by the high level of detail that was required to discuss the data and model parameters, and by the diversity of perspectives held by team members. Each member's tacit assumptions were challenged by others in open group discussions *(joint sensemaking processes).* By modeling social, economic and ecological objectives together, tradeoffs among goals were explicitly recognized.

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[57] The team included WC, LC, a senior logging manager, a conservation biologist, a forest ecologist, a forest economist, a forest strategist and a structure of support teams. Six people involved in the forest project were interviewed for this study, one twice, and one three times for a total of nine interviews.

The representation of stakeholder interests within the Forest Project team was a critical determinant of the quality of learning. Stakeholder perceptions were elicited via focus groups and then included in formal models, complete with sensitivity analysis. Stakeholders were asked what they considered appropriate and how they viewed alternative scenarios. Zones of indifference were described for each group, with backlash points identified. Multiple groups were then modeled together dynamically to predict their responses under various scenarios.

Mere awareness of stakeholders' perceptions was unlikely to lead to a convergent solution, however. Stakeholder consultation processes previously run by the government had been highly conflicted and largely unsuccessful.[58] Even within MB's Forest Project, the conflict among members became legendary. Because representatives were held together by a common identification with MB and a shared goal to save their company, they were able to work through the conflict to a solution that integrated divergent stakeholder views.

A new guiding metaphor was devised to describe the relationship of environmentalists to MB, since the old metaphor (enemies in a war) got in the way of change. Environmentalists were now described as competitors in a market for wood. Executives and other organization members had a framework for dealing with competitors. Viewing them as competitors promoted attempts to understand them, and reduced the perception of them as illegitimate. By activating this frame, instead of the 'enemy' frame, possibilities for both collaborative and competitive solutions emerged.

Institutional theory would suggest that an existing solution or template from the organizational field would be adopted in such a situation (Greenwood and Hinings, 1996). However, since a ready-made solution did not exist within MB's institutional environment, team

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[58] These groups engaged in strategic behaviours, refused to compromise, and often walked out.

members had to negotiate their own template in-house. Previously fragmented learning by team members was reinterpreted and integrated in an intensive process.

The 'variable retention' solution the team developed involved the complete cessation of clearcut logging over a five-year phase-in period. The solution was endorsed by ecological, social and economic stakeholders, some of whom had been consulted in advance. The team presented variable retention to the CEO and the Board of Directors, who responded with a standing ovation. This official endorsement of the solution at the organizational level went a long way toward facilitating institutionalizing processes at the firm level.

Variable retention became policy and was announced to the press and to various stakeholder groups. Institutionalizing mechanisms were put in place immediately: benefits of the solution were communicated to employees, operating and safety training was provided, an annual review program including external stakeholder assessment was initiated, and reward systems were adjusted. Successful implementations were communicated as they took place.

The inclusion of traditional defenders of clearcutting on the Forest Project team had the effect of increasing the acceptability of the solution to their constituents. These trusted niche representatives represented their constituents' interests in the joint sensemaking process, and then were able to explain the solution in terms of what mattered to their constituents. Furthermore, institutionalizing was facilitated because the *solution effectively dealt with an organizational problem* (a performance and/or legitimacy decrement). MB board members and forest workers commented on the ability to again be proud of their organization, after years of public shame.

Through the changes associated with the Forest Project (along with other concurrent projects in co-design with the IWA union), MB members increased their own and the company's

capacity for learning and change in a lasting way. The development of the CFCI initiative, with its offer to stop logging in order to create the conditions necessary for a true dialogue with environmentalists) and its subsequent shift into the Joint Solutions Initiative (which included the broader set of stakeholders) represented a process very similar to the Forest Project, although outside the company's boundaries. By focusing on an overarching shared objective (finding a solution to the war of the woods), companies and stakeholders were able to decide together what constituted valid data, collect that data together, and engage in joint sensemaking to interpret it. Through these new relationships, they were able to build common interpretations, surfacing and challenging tacit assumptions, and developing new learning together. Trust niche representatives who were present in the discussions could then interpret the learning to their niches in a way that made new meaning for niche constituents. While MB as a company ceased to exist, the legacy of its Forest Project continued to grow through the capacity for learning that was developed within its members, and then translated through use to other members of the organizational field.

4.5. Discussion and Conclusions

In this chapter, the unfolding of the feedforward learning processes proposed by Crossan, et al. (1999) in one organization were examined. Through in-depth longitudinal analysis, the four previously proposed processes were supported (intuiting, interpreting, integrating, and institutionalizing) and two additional learning processes were identified: attending and experimenting. The origins and the development of these processes at MB were examined, and several facilitators and impediments for each were discussed, with sensitivity to the importance of context and power.

While the front stage view suggested a radical and revolutionary change in MB's institutionalized practices, the backstage view showed processes of learning taking place more gradually in pockets in the organization. The radical overall shift happened as power shifted to privilege the new interpretations developed on the backstage.

Several of the facilitators involved the incorporation of divergent perspectives, often those held by various stakeholders. Feedback processes may impede the incorporation of these divergent perspectives, particularly when their sources are perceived to be illegitimate. When an organization feels that it is unfairly under attack by illegitimate sources, it can become caught in a *legitimacy trap,* actively and dysfunctionally resisting pressures for change and preventing the initiation of feedforward learning processes. Strong emotions (especially moral indignation) increase defensiveness and limit the possibilities for learning (see also Vince, 2001).

Some individuals, particularly unconstrained actors and characteristically open-minded people, are able to attend to divergent perspectives and engage in intuiting, especially if they have direct exposure to alternate views and/or relational ties to those who hold them. These intuiting/ attending individuals supply the means by which an organization can break out of the legitimacy trap, provided they have sufficient power or autonomy to move through the feedforward learning processes, and provided they have the necessary social skills (Fligstein, 2001). Using experimenting and interpreting processes, intuiting individuals use their social skills to convince others of the legitimacy of a new view. By engaging in joint sensemaking and internalizing divergent stakeholder views, groups can integrate the learning and prepare for institutionalizing. Power and resources must be allocated to integrating and institutionalizing processes.

Official endorsement of a solution is an early step in the institutionalizing process. Several conditions facilitate institutionalization: when the solution appears effective and/or is widely endorsed by external stakeholders, when support for the old interpretation has eroded, and when trusted niche representatives have endorsed the solution to their constituencies.

The addition of the two learning processes, attending and experimenting, adds value to the CLW model by focusing on action-based learning. The process of attending highlights the way in which external information is brought into the organization. Most organizations have institutionalized attending or scanning mechanisms. However, feedforward learning is enabled only when individuals attend to data that are not part of the normal organizational attention pattern, particularly when the new data are inconsistent with prior institutionalized understandings. By attending to this type of data, individuals can reflect on and challenge their own cognitive maps, leading to richer intuiting processes and stimulating revisions in their prior understanding.

The experimenting process provides experimenters with specific feedback on their intuitions and interpretations in controlled risk environments. When experiments are successful, learning can be moved more confidently through integrating and institutionalizing processes.

The process of experimenting also brings to light the consideration of power, an area in need of further development in both the organizational learning (Vince, 2001) and institutional literatures (Fligstein, 2001). Vince (2001) suggested that learning is directly mediated by power, and this was true at MB. It is likely that many more people engage in intuiting and attending than in experimenting. In order to push feedforward learning processes through to group and organizational levels, an individual or a group must have the autonomy to act or the endorsement of someone in a position of power. Also, formal position power is usually necessary to move

learning through integrating and institutionalizing processes. Institutional entrepreneurs, by virtue of their social skills, may be able to build this power by creating new meanings for people in the organization that resonate with their interests and values (Fligstein, 2001), encouraging both followers and leaders to accept and endorse the new learning.

In a sense, MB executives did their own experiments with power allocations. When they could not find a solution to the war of the woods, they granted power to people who could understand 'the enemy', but deliberately isolated them to avoid spillover. Executives first turned a blind eye to the experiments of the new solution-seekers, then quietly endorsed them (providing what Zald and Berger, 1978, referred to as 'enclave support'), but continued to isolate the learning. When the leadership changed in 1997, the new CEO accelerated the learning by allocating resources to the integrating process and giving power to a key leader of feedforward learning (WC). When a successful solution had been developed, institutionalizing commenced after the CEO and the Board endorsed the solution.

Top down power may be insufficient for institutionalizing, however, when organizational members are not ready to adopt the change (e.g., Selznick, 1957). In MB's case, the very public negative reaction to the company's prior clearcutting practices had already eroded employees' beliefs in these practices across organizational levels, thus prompting deinstitutionalization (Oliver, 1992) and unlearning (Hedberg, 1981). Employees' inability or unwillingness to openly discuss their doubts prevented a mass movement for change (Zald and Berger, 1978), or well-developed competitive or reformative value commitments (Greenwood & Hinings, 1996), however the erosion of their support for clearcutting accelerated their acceptance of the new solution.

Overall, MB's experience illustrates high-quality feedforward learning processes for strategic renewal and adaptation. Tacit stakeholder perspectives were internalized through individuals' direct exposure and relational ties. At the group level, the use of formal modeling techniques in the joint sensemaking process contributed to the surfacing of the unspoken assumptions held by individual actors. Joint sensemaking efforts enabled the firm to produce high quality solutions and to adapt successfully to external pressures.

In this study, we see hints of the longer-term implications of the organizational learning processes that took place at MB. Through its learning, MB expanded its capacity for future learning and innovation. Processes of interpreting/experimenting, integrating and institutionalizing developed both the organization's capacity to learn and its understanding of the diverse perspectives of its more outspoken stakeholders. This capacity can be leveraged many times over. Through the CFCI initiative and other innovations introduced in working with stakeholders in 1998 and following, MB's learning legacy continues, though the company has changed ownership. In this way, contrary to accepted understanding, institutionalizing can *drive* further exploration, instead of *driving it out*, when a firm exploits institutionalized routines for feedforward learning (attending, interpreting, experimenting, integrating and further institutionalizing). However, there are always tradeoffs. When firms institutionalize feedforward learning aimed at external adaptation, they may diminish the efficiency associated with the exploitation of prior solutions, or may fail to notice opportunities to *remake* their external environments (Weick, 1995), although in MB's case, the learning process that was institutionalized did remake the external environment.

I conclude that organizational learning is more adaptive when intuiting and interpreting are informed by the explicit consideration of alternative viewpoints (including those that have

not previously been considered legitimate), when integrating processes are deep, and when solutions are officially and broadly endorsed through institutionalizing processes. From a managerial standpoint, it is encouraging to note that the capability for organizational learning and strategic renewal exists within each firm at any given time as long as individuals and groups go through processes of intuiting/attending and interpreting/experimenting. Official endorsement and joint sensemaking are necessary to integrate the learning of individuals and to bring it to the organizational level through institutionalizing processes.

In Chapter 5, I present an overall framework of institutional change, moving from the external environment, through the organizational field to the institutionally entrepreneurial firm, and diffusing from there back to the field. I integrate the findings of this chapter (using an organizational learning lens) with determinants and processes of institutional change using an institutional theory lens. In Chapter 6, I summarize findings across the entire dissertation,

CHAPTER 5:

MULTILEVEL DETERMINANTS AND PROCESSES OF INSTITUTIONAL CHANGE

5.1. Introduction

Chapter 3 studied the interface between the organization and the environment to examine how pressures for institutional change influence organizational responses to stakeholders' influence attempts. Chapter 4 focused on the internal changes at MB, to identify the determinants and processes of learning at MB that led to the company's institutional entrepreneurship. In this chapter, I take an overall, field level perspective to examine the determinants and processes of institutional change more broadly, at multiple levels of analysis. This chapter builds on the static model developed in Chapter 3, using many of its key constructs, but focusing on how changes in model parameters occur over time. It encompasses additional contextual and dynamic effects that may help explain some responses which were not well explained by the model in Chapter 3. For example, the cumulative effects of influence attempts over time led to a rather large response being paired with a relatively weak influence attempt in Period 5. This chapter also builds on intra-organizational insights developed in Chapter 4, and connects them more explicitly with a) institutional theory and the literature on institutional change, and b) the environment and organizational field.

The focus in this chapter goes beyond the responses of MB to examine the changes in the organizational field and how these changes took place. MB, as the institutionally entrepreneurial firm, has a privileged position in the analysis, but this chapter focuses on the contextual changes

that contributed to institutional entrepreneurship at MB, and then facilitated the (partial) diffusion of the institutional change to other actors within the field.

The result of this chapter is the development of a comprehensive set of determinants and processes of institutional change at multiple levels of analysis, with a strong focus on the processes of change that span the levels of analysis, creating a coherent story, from micro to meta to macro, of the phenomenon of institutional change.

The chapter proceeds as follows. First, I review the literature on the determinants of institutional change. I sort these determinants into levels of analysis and present a level-specific framework of determinants of institutional change that is consistent with the assumptions presented in Chapter 1. I then present a level-specific empirical analysis of the changes in the broader external environment, the organizational field and changes at MB in order to identify how the determinants of institutional change identified in the literature impact each other. I then identify processes of institutional change at the field level of analysis. Processes include *changes in field membership, changes in relational patterns, changes in stakeholder salience,* and *changes in interpretations.* The results are discussed in the context of the literature, and conclusions are presented.

5.1.1. The Determinants of Institutional Change Identified in the Literature

Institutional change can be stimulated by a number of different factors, coming from both outside and inside a firm or field. Prior work in institutional theory has identified a number of external and internal determinants of institutional change. These are reviewed below and summarized in Table 5.1. The external determinants are further subdivided into those that originate in the broader external environment, and those that originate from within the

organizational field. Determinants shown in italics can originate in either the broader external environment or the organizational field.

Table 5.1: Determinants of Institutional Change in the Literature

External	**Broader External Environment**	**Organizational Field**
Functional	▪ *Technological change* (Barley, 1986) ▪ Changes in general economic conditions (Barley & Tolbert, 1997) ▪ *Uncertainty* (Beckert, 1999)	▪ Changes in markets for the organization's goods/services (Leblebici & Salancik, 1982; Greenwood & Hinings, 1996; Holm, 1995) ▪ Existence of superior practices (Kondra & Hinings, 1998; Leblebici, et al., 1991; Oliver, 1991; Tolbert & Zucker, 1983; Zucker, 1988)
Political	▪ *Political/Legal/Administrative events* (Hoffman, 1999; Tolbert & Zucker, 1983; Holm, 1995; Fox-Wolfgramm, et al., 1998) ▪ *Political Pressures* (Townley, 2002; Greenwood, et al., 2002)	▪ Coalitions and cooptation (Selznick, 1949) ▪ Emergence of new players (Greenwood, et al., 2002; Hoffman, 1999) ▪ Shifts in relative importance of stakeholders/field members (Hoffman, 1999; Holm, 1995; Oliver, 1991, 1992); Ascendance of actors (Greenwood, et al., 2002) ▪ Changes in the demands of stakeholders (Oliver, 1992)
Social	▪ Changes in values/ideologies/ practices (Zucker, 1977; Hoffman 1999; Oliver 1992)	
Functional, Political or Social	▪ *Disruptive events:* Shocks, Jolts, Catastrophes and Milestones (Fligstein, 1991; Hoffman, 1999; Lorange, Scott, Morton & Ghoshal 1986; Meyer, 1982)	
Internal *Functional*	▪ Flawed social transmission, inaccurate reproduction, entropy (Zucker, 1988) ▪ Increasing goal clarity; Increasing technical specification (Oliver, 1992)	
Political	▪ Performance or legitimacy decrements (Child & Smith, 1987; Oliver, 1992; Pettigrew, 1985; Greenwood & Hinings, 1996; Kondra & Hinings, 1998) ▪ Interest dissatisfaction (Greenwood & Hinings, 1996) ▪ Executive migration (Kraatz & Moore, 2002) ▪ Power shifts (Greenwood & Hinings, 1988; Oliver, 1992)	
Social	▪ Value commitment differences (Greenwood & Hinings, 1996) ▪ Normative fragmentation (Oliver, 1992); Changes in interpretations (Bartunek, 1984; Zilber, 2002) ▪ Personal characteristics/interests (Zucker, 1988) ▪ Increasing workforce diversity (Oliver, 1992); Change in employee composition (Zilber, 2002) ▪ Divergent beliefs due to mergers (Oliver, 1992; Dacin, Goodstein & Scott, 2002). ▪ Inadequate socialization processes (Zucker, 1988; Oliver, 1992) ▪ Increasing dispersion, diversification or differentiation (Oliver, 1992)	

Dacin, Goodstein and Scott (2002) reviewed sources and drivers of institutional change and highlighted the importance of forces for deinstitutionalization, since "the weakening and disappearance of one set of beliefs and practices is likely to be associated with the arrival of new beliefs and practices" (Scott, 2001: 184). Oliver (1992) categorized pressures for deinstitutionalization as functional pressures, political pressures and social pressures. These categories are used as an organizing device in Table 5.1.[59] Each of the determinants is reviewed.

5.1.1.1. External Determinants of Institutional Change

External determinants of institutional change include external functional, political and social pressures originating in the broader environment, or from within the organizational field.

External functional determinants of institutional change that originate in the broader external environment include changes in general economic conditions, uncertainty and technological change. Changes in general economic conditions (e.g., downturns) can lead people to question institutional arrangements (Barley and Tolbert, 1997). These and other changes can increase uncertainty in the environment, leading actors to consciously try to make sense of their environment instead of responding in institutionalized ways. An institutional entrepreneur can capitalize on (and even create) uncertainty to refute the rational basis for existing institutions and argue for new ones (Beckert, 1999). Technological change can emerge either from the broader external environment (such as changes in business practices due to the internet) or from within the organizational field (for example, technological change in radiology departments drove changes in interaction scripts between radiologists and technicians, Barley, 1986).

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[59] The determinants shown in Table 5.1 are determinants of institutional change, not deinstitutionalization as Oliver (1992) identified. However, forces for deinstitutionalization are viewed as a subset of forces for institutional

In addition to field-specific technological changes, market changes and the existence of superior practices that originate within the organizational field can act as stimuli for institutional change. Changes in markets for the organization's goods/services provide a strong functional rationale for questioning institutionalized practices (Leblebici & Salancik, 1982; Greenwood & Hinings, 1996; Holm, 1995). When superior practices exist in the external environment, organizations will be motivated to adopt them (Leblebici, et al., 1991; Oliver, 1991; Tolbert & Zucker, 1983; Zucker, 1988) particularly when close competitors have done so (Kondra & Hinings, 1998). Market changes are associated with the diffusion rather than the initiation of an institutional innovation.

External political determinants of institutional change include political, legal or administrative events (Tolbert & Zucker, 1983) and political pressures (which can originate in either the broader external environment or the organizational field), and changes in the players involved in the organizational field. Holm (1995) identified how changes in political regimes determined which group (marketers vs. fisherman) was favoured in regulations governing Norwegian fisheries. Tolbert and Zucker (1983) described state mandates of governance changes within local governments. Fox-Wolfgramm, et al., (1998) recounted how regulative changes governing community reinvestment were responded to by prospector and defender banks. Political pressures such as the pressure on Canadian museums to adopt private sector planning and performance measures (Townley, 2002) have also been identified as triggers for institutional change (Greenwood, et al., 2002). The formation of the Environmental Protection Association, an administrative event, had significant impacts on the chemical industry (Hoffman, 1999).

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change, since deinstitutionalization is usually a necessary part of institutional change. Oliver's social, political and

Stakeholders can also exert political pressures on an organization, demanding changes in internal institutions in exchange for their endorsement or continued support. This effect is particularly strong for stakeholders who have been co-opted into an organization or who are in coalition with it (Selznick, 1949). The players involved in an institutional context can change over time in several ways. First, the membership in the organizational field can change as new players emerge (Hoffman, 1999; Greenwood, et al., 2002), and others exit. Second, the relative importance of players can change (Hoffman, 1999; Holm, 1995; Oliver, 1991). As stakeholders gain or lose power and legitimacy in an organizational field, the field reconfigures (Greenwood, et al., 2002; Hoffman, 1999; Holm, 1995). Third, stakeholders' demands can change (Oliver, 1991), as each stakeholder may increase its urgency on some issues and decrease it on others (Mitchell, et al., 1997).

External social determinants of institutional change include changes in values, ideologies and practices (Zucker, 1977; Oliver, 1992; Hoffman, 1997; 1999). Hoffman (1997; 1999) demonstrated how changes in social values regarding environmentalism became focused pressures on chemical companies through environmental groups, and how these groups rose in importance as they engaged firms in legal interactions. Social changes can also create new problems that must be solved by organizations. For example, Zucker (1977) explained the erosion of personal trust by tracing social changes due to the industrial revolution.

Disruptive events, such as catastrophes, shocks, jolts and milestones, can act as triggers for institutional change in organizations and fields. These triggers could be functional, political, social or some combination (e.g., Fligstein, 1991; Greenwood, et al., 2002; Lorange, Scott, Morton & Ghoshal, 1986; Meyer, 1982). Hoffman (1999) described the impact of the Bhopal

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functional pressures remain a useful categorization device.

disaster on not only Union Carbide, but on the entire chemical industry. The disaster led to political and social pressures, as well as functional pressures with respect to the management of risks (these pressures emerged both from insurance companies and from the industry itself).

Greenwood and Hinings (1996) noted that some fields are more *permeable* than others: that is, they are more exposed to ideas from other institutional arenas. More permeable fields are more likely to tolerate innovation and variation, intensifying the effects of external determinants of institutional change.

5.1.1.2. Internal Determinants of Institutional Change

Internal determinants of institutional change include internal functional, political and social pressures.

Internal functional determinants of institutional change include flawed social transmission of institutions (Zucker, 1988) or inaccurate reproduction of institutions leading to slippage in performance. Zucker (1988) also discusses 'entropy', or the tendency for a system to become disorganized over time. These determinants lead to unintentional institutional change, which is not the focus of this dissertation. Increasing goal clarity and increasing technical specification (Oliver, 1992) trigger incremental institutional refinement.

Performance and legitimacy decrements are functional forces that may lead to intentional institutional change, but usually do so via political processes (e.g., Child & Smith, 1987; Pettigrew, 1985; Greenwood & Hinings, 1996), and thus they are listed here as political determinants. "Institutionalized practices will be under threat of erosion or displacement when [their] utility ... is seriously called into question" (Oliver 1992: 568). Organization members can use performance or legitimacy problems to argue for changes in institutions that are more

consistent with their own interests. Kondra and Hinings (1998) suggested that performance and legitimacy decrements trigger change when they are significant relative to comparable organizations in the industry.

Performance problems are often associated with shifts in power (Greenwood & Hinings, 1988; Oliver, 1992), and executive migration (Kraatz and Moore, 2002), both of which have been identified as key determinants of institutional change. As characteristics of the environment change, those with the ability to deal with uncertainty in the new environment rise in power (Thompson, 1967; Hinings, et al., 1974) which leads to leadership changes. New internal leaders and executive migrants have different interpretations based on exposure to different internal and external environments.

Interest dissatisfaction and value commitment differences among organization members have also been cited as triggers for institutional change (Greenwood & Hinings, 1996). Interest dissatisfaction refers to the extent that organization members are dissatisfied with their share of resource allocations. Value commitments refer to the extent to which organization members are normatively committed to a particular institution. Here, interest dissatisfaction is listed as a political force, while value commitment differences are considered a social force.

By themselves, interest dissatisfaction and value commitment differences are only likely to trigger institutional change in highly unstable institutional environments, (in stable environments, existing institutions reflect and support the interests and values of those in power, Greenwood & Hinings, 1996). Thus, in stable institutional environments, individuals or groups whose interests and values are not satisfied probably do not have sufficient power to topple institutional regimes. It is only when an exogenous change creates problems for an organization,

and thus restructures power, that interest dissatisfaction and value commitments are likely to lead to change (Barley & Tolbert, 1997; Pettigrew, 1987).

A related social condition for institutional change is normative fragmentation. According to Oliver (1992: 575), "normative fragmentation refers to a loss of cultural consensus or agreement among organizational members on the meanings and interpretations that they attach to ongoing organizational tasks and activities." Both normative fragmentation and value commitment differences can result from a number of factors, including differences in personal characteristics and interests among organization members (Zucker, 1988), increasing workforce diversity (Oliver, 1992) and changes in employee composition (Zilber, 2002), sometimes due to mergers (Oliver, 1992; Dacin, et al., 2002), inadequate socialization processes (Zucker, 1988; Oliver, 1992), increasing geographical dispersion, and diversification or structural differentiation among organization members that reduces their interaction with each other and increases the importance of their interaction with outsiders.

5.1.2. Summary of Determinants of Institutional Change

The list of institutional change determinants shown in Table 5.1 is a valuable starting point, but it is just a list. While comprehensive, the list does not identify how the different determinants work together, nor does it provide an understanding of the overall process of institutional change or the microprocesses involved. Furthermore, the list does not distinguish between those determinants for institutional entrepreneurship and those for institutional diffusion. Logically, these are very different phenomena, since institutional entrepreneurship involves initiating new solutions, while diffusion involves imitating solutions which already exist.

In Chapter 3, there were hints of processes involved in institutional change, as new stakeholders entered the organizational field and changed their salience to MB by forging coalitions with other field members and using indirect influence chains. However, the model introduced in Chapter 3 was a variance model describing a range of different responses to stakeholder pressures, not a process model highlighting the influence of different pressures on the processes of institutional change. In Chapter 4, the learning processes that took place at MB provided some insight into processes of institutional entrepreneurship at the firm level, but these were investigated using a learning framework, with only limited linkages to institutional theory. In the next section, the story of the BC Coastal Forest Industry is revisited to identify processes of institutional change and to assess how the determinants of institutional change work together. I highlight several processes and distinguish among several phases of institutional change (as identified by Greenwood, et al., 2002), including deinstitutionalization, preinstitutionalization (institutional entrepreneurship within the firm) and theorization (in this study, institutional entrepreneurship directed at diffusion of the new institutional logic).

I first present the methodology, and then proceed to the data analysis. Conceptual frameworks are then presented, followed by conclusions.

5.2. Methodology

The analysis proceeded as follows. I reviewed the seven periods identified in Chapter 3 extending from the early 1980s until 2000. During each period, I asked the questions, "what changed?", "what caused it to change?" and "what effects did the change have?", listing all possible sources of change. Rather than assessing the determinants of institutional change as identified in the literature directly, I used a grounded theory process to identify change

determinants and the processes that linked them. I felt that a grounded analysis would be more likely to uncover more subtle determinants and processes which would not necessarily surface if I began with predetermined variables. Iterating between literature and data, I adopted terminology from the literature to describe phenomena in the data wherever possible, and named new phenomena when the data did not neatly fit into the classifications in the literature.

The premises guiding this analysis were listed in Chapter 1: institutional change occurs as changes in the broader external environment become reflected in the organizational field, and impact organizations directly. An institutionally entrepreneurial organization is usually the source of an innovation that then diffuses to other organizations in the field. To reflect these assumptions and provide a starting point for the analysis, I began with broad categories that included *'changes in the broader external environment'*, *'changes in the organizational field'*, and *'changes in the institutionally entrepreneurial organization (MB)'*. I also looked for changes in the organizational field that were associated with diffusion *('diffusion in the organizational field')*. These categories were broad enough to encompass all changes without predetermining subcategories.

Within each category, I searched the data for changes, and the causes and effects of these changes through each of the seven periods. I traced the causal chains across each of the categories, working both forwards and backwards to capture the relationships in the data.

While many of the determinants of institutional change as identified in the literature surfaced in the analysis, there were several recurring process themes that appeared to have special significance in facilitating institutional change. At the field level, these included *changes in field membership* and *changes in relational patterns* among field members. These led to *new interpretations* and to *changes in stakeholder salience* among field members, particularly within

the institutionally entrepreneurial firm. Changes in stakeholder salience led to changed incentives in the organizational field.

Changes in field membership were determined by an analysis of the set of players that were active with respect to forest practices and land use decisions during each period. Players were considered active if they were the instigator, the target, or the channel for influence attempts during the period, or if they remained actively involved in the issues following activation in a prior period.

Changes in relational patterns included coalitions among field members as well as incidents of indirect influence (where one stakeholder influenced a target through another stakeholder, frequently raising the urgency of that stakeholder by changing its interpretation of the issues). An example of a coalition is the alliance between First Nations and environmentalists. The two groups shared resources and acted together in order to influence the government and MB. *Joint action* is the defining feature of a coalition. Indirect influence does not feature joint action; instead one stakeholder uses its salience with another stakeholder to influence that stakeholder to influence a third stakeholder, and so on. Influence chains may include several stakeholder links.

Changes in stakeholder salience reflected fluctuations in the power, urgency and legitimacy of stakeholders during the period, as described in Chapter 3. For the most part, stakeholder salience is judged from MB's perspective, however, when a stakeholder changed salience to another salient stakeholder of MB, this is noted. For example, in period 1, environmentalists became more salient to the provincial government, despite the fact that they did not increase in salience to MB until period 2. However, the change in the provincial government's responses to environmentalists in period 1 had a significant effect on MB's

perceptions, and thus was responsible, in part, for environmentalists' change in salience to MB in period 2.

Changes in interpretations were judged based on the actions and the framing of MB and other stakeholders, as noted in press accounts and interview data.

The rich descriptions of each time period are in chapter 3, and will not be repeated here. Summaries of the changes occurring in each period are shown in Table 5.2 as a reminder to the reader. The analysis proceeds as follows. I first describe the changes that happened in the broader external environment, and the impacts these changes had on the organizational field and the institutionally entrepreneurial firm. I then describe the changes within the organizational field, and track the interrelationships among determinants of institutional change that were affected by field level processes. I describe in depth the effects of the process themes listed above and present a conceptual framework of field level processes of institutional change. Next, I focus on the institutionally entrepreneurial firm, further integrating the organizational-level determinants identified in this chapter with the organizational learning processes identified in Chapter 4. I present a conceptual model of the processes of change that occurred at the institutionally entrepreneurial firm. I then describe determinants of institutional diffusion, and summarize the overall process of institutional change across each of the four categories. I then integrate the categories with Greenwood, et al.'s (2002) model of phases of institutional change. The findings, limitations and directions for further research are discussed.

Table 5.2: Summary of the Seven Periods

Period	Key Incidents and Interpretations
Baseline: Pre 1979	MB interpreted environmental protests as a local issue. These protests were handled by local managers and dismissed by senior managers as unimportant. Law-breaking, illegitimate protesters were arrested. The government had responsibility for land use decisions, not MB. MB interpreted stakeholder activism as an attempt to gain a piece of the economic pie. Environmentalists were considered illegitimate and had little power. First Nations had low power, but had a legitimate place in the debate. It was unusual and illegitimate for them to protest, however, since there were formal processes with the government that they should have used instead. Government and forest companies had had a cozy relationship for years. Both benefited from cutting the forests.
1: 1979-1987	Social values for environmentalism were growing in North America and Europe. First Nations and Environmentalists joined forces to influence MB and the government; together they were able to interest the public in their claims via media attention. The public began to put environmental issues at the top of the agenda, forcing the provincial government to respond. The government attempted to respond symbolically at first, creating a stakeholder consultation process, and then ignoring the resulting recommendations and allowing MB to back out. First Nations obtained a favourable court ruling against the government and MB, creating new uncertainty in the context for both MB and the government. First Nations and Environmentalists also asked the federal government to pressure the BC government, which it did.
2: 1988-1990	MB saw Environmentalists as more powerful, and decided to increase its strategic responses to them. Environmentalists appealed directly to the government to perform its role as enforcer of forest practices. Public pressure continued to increase, and the public increasingly saw the forest companies (and particularly MB) as illegitimate. The public was vocal at stakeholder consultation processes re the Carmanah. MB and an industry association (COFI) began public relations campaigns: these were largely unsuccessful, reducing public support for forest companies. MB and the industry initiated and sponsored the formation of the Forest Alliance and SHARE, pro-logging groups that were focused on jobs and involved unions, forest workers and communities. The Forest Alliance was focused on political lobbying and public relations efforts, while SHARE raised grassroots (electoral) support for the pro-logging position, reminding government that there were social values other than environmental values to which it must respond (jobs, economic health). SHARE also directly opposed environmentalists via counterblockades and protests. The BC government, facing strong pressures from both sides, split the Carmanah Valley in half, continuing the trend for MB to lose cutting rights. Environmentalists intensified the campaign after the decision, threatening

Period	Key Incidents and Interpretations
	international boycotts and raising international awareness of forest practices in BC. The Forest Alliance, MB and the BC government began tours of Europe to counteract the boycott threat.
3: 1991-1994	The NDP provincial government was elected on a green platform. Environmentalists walked out of the Clayoquot Sound Sustainable Task Force, but MB continued its involvement. The group produced a majority report but could not reach consensus. The Western Canada Wilderness Committee Executive Director met with MB's CEO, but both indicated the meeting went badly. Environmentalists internationalized Clayoquot Sound, involving international Environmental groups, journalists, politicians, and publics. The BC government made a compromise decision, which MB accepted. Environmentalists framed the decision as pro-MB and pledged an international boycott. First Nations also denounced the decision. A Peace camp was established in Clayoquot Sound, and hundreds of protesters were arrested there. There were international protests at embassies and customer sites. SHARE groups mounted counter-blockades. The Scientific Panel, formed by the BC government, gave prominence to First Nations involvement, and the BC government recognized First Nations' right to governance of some land. Environmentalists targeted international customers, and Scott Paper UK publicly cancelled a contract with MB at the urging of Greenpeace. MB promoted LC to VP, Environment.
4: 1994-1997	MB began meeting with First Nations and Environmentalists at First Nations' request. The customer campaigns intensified and MB began certification work. The Scientific Panel reported its recommendations, which the BC government and MB accepted. Environmentalists did not accept any logging in Clayoquot. Greenpeace protested logging in Sulpher Creek and MB stopped logging there. Greenpeace restarted its campaign in Clayoquot; MB closed its logging operations there. MB formed an eco-forestry joint venture with First Nations.
5: 1998	The customer campaigns broadened. Unions, the Forest Alliance, and the BC government all criticized Environmentalists, and the BC public no longer supported the claims and tactics of the environmentalists. The CEO and the top management team at MB changed. The Forest Project was initiated at MB, and the phaseout of clearcutting was announced. The Forest Alliance and the industry criticized MB for clearcutting phaseout, and MB dropped out of the Forest Alliance.
6: 1998-2000	Greenpeace expanded its campaign to all of BC coastal forestry (including MB's operations). MB cut back its logging on public land in BC. MB formed a coalition with other industry members (the Coastal Forest Conservation Initiative, or CFCI), encouraged them to adopt variable retention logging, and led a coordinated strategy to respond to environmentalists' pressures. The CFCI invited customers to BC to impress them with their new practices, but the customers were not sufficiently impressed. The customers told both environmentalists and forest companies to begin negotiations. The CFCI made a unilateral offer of a moratorium on logging while talks took place. Environmentalists accepted and agreed to halt their market actions against CFCI companies.

Period	Key Incidents and Interpretations
7: 2000+	The CFCI and environmentalists broadened their consultations to include other parties. One party leaked information about the negotiations to the press. First Nations, unions, forest dependent communities and the BC government lashed out via the press.

5.3. Data Analysis

The institutional change process began with changes in the broader external environment, moved through changes in the organizational field and stimulated innovation by MB, the institutionally entrepreneurial firm. MB then initiated pressures for diffusion to the organizational field. Each of these categories is discussed in turn, followed by a discussion of the processes that moved pressures through categories. Table 5.3, Parts A and B, shows summaries of the analysis of changes in the external environment, the institutionally entrepreneurial firm, and each of the field-level process themes listed above during each time period.

Table 5.3 Part A: Summary of Changes Over Time[60]

Pd.	External Environm't Changes	Changes in Field Membership	Changes in Relational Patterns* '→' = influence attempt; '+' = coalition; '← →' = reciprocal influence attempts.
1: 1979-1987	Growing social values for environmentalism.	New stakeholders activated: Public, FG, Media; Court.	Coalitions: FN & E Indirect influence pathways: FN+E → Media → Public → FG → PG → MB; FN+E → Court → MB, PG. Interaction across factions was limited. Close ties among established field members (forestry profession, forest companies and provincial government). Closer ties arose among anti-logging forces as well. Field boundaries were relatively impermeable in the beginning because of the close ties between forest companies and the government. Activating the public and media was a way to open up the field boundaries because of PG's role in response to them.
2: 1988-1990	International groups cared about what happened in other places.	New stakeholders activated: Forest Alliance, SHARE, International Es and publics, unions and forest workers, communities.	Coalitions: Public + Es, International Es + domestic Es; MB + Forest Alliance + SHARE; MB + Forest Alliance + PG. Indirect influence pathways: E → PG → MB; E+Public → MB, PG; MB+Industry→SHARE, Forest Alliance→ unions, forest workers, communities →PG, Public, Es. Ties remained strong within factions and weak across them. The field boundaries opened up to include other groups, but the boundaries of factions were impermeable.
3: 1991-1994	NDP elected to provincial government on environmental agenda.	International politicians, journalists and customers joined the field.	Coalitions: E+International E; E+Customers Indirect influence: E+Intl E → international politicians, celebrities and publics → customers, PG, MB; More direct influence (salience built): E+Customer → MB; E → Govt, MB. Ties remained strong within factions and weak across them. The anti-logging faction grew. Government took a middle position, no longer in the pro-logging faction. An attempt to cross factions failed (the meeting between the WCWC executive Diector and the MB CEO was fruitless). The field boundaries were very permeable, but the boundaries of factions were less permeable. Customers increased permeability of the pro-logging faction since customers had to be attended to by both sides.

[60] PG=provincial government; FN=First Nations; E=Environmentalists.

Pd.	External Environm't Changes	Changes in Field Membership	Changes in Relational Patterns* '→' = influence attempt; '+' = coalition; '← →' = reciprocal influence attempts.
4: 1994-1997	PG granted power to FN (partially in reaction to court decisions) and negotiated land claims. Poor econ. conditions and Asian flu at end of period 4.	Scientific Panel entered at the behest of the PG.	Coalitions: E+Customer coalition strengthened. FN+MB coalition formed via Iisaak joint venture. Indirect influence: Decreased. Es worked more directly. Es, FN, and MB crossed the faction divide to negotiate. FN ←→ MB ←→ E; E+Customer → MB; E → MB. Interactions increased across the faction divide through dialogue (increasing faction permeability). The government was increasingly left out of the interactions as its need to serve multiple, conflicting constituencies paralyzed it (institutional gridlock).
5: 1998	Continued Asian market problems. Poor economic conditions. Job losses in forestry.	None.	MB consulted with Es before announcing clearcutting phaseout. MB dropped out of the Forest Alliance. MB → E; Forest Alliance, Industry → MB; MB → Forest Alliance. MB severed (or weakened) its ties with the industry and Forest Alliance.
6: 1998-2000	None.	None.	MB formed coalition with other industry members (CFCI), and pursued a coordinated strategy. Customers pushed back on both environmentalists and CFCI companies. MB+Industry → Customer → E; Customer → CFCI, E CFCI → E, Customer. Interaction increased among forest companies and environmentalists, but was reduced with other stakeholders.
7: 2000+	None.	None	Unions and forest dependent community members ally to influence CFCI and environmentalists. Union+Community→ CFCI, E. The field re-formed to include all groups: more stakeholders were added to the negotiation process.
Over-all	Changes in social values, political and legal shifts, changes in general economic conditions, changes in markets.	Environmentalists entered the field because of changing social values. Other new entrants were activated by pro- or anti-logging factions in order to increase support. Once activated, stakeholders remained active.	Stakeholders formed coalitions when they shared goals (e.g., FN and E), or when one activated another by framing a position on an issue as in their best interests (e.g., jobs framing for unions, economic health for community members, consumer market access for customers, appeal to environmental sensitivity for public and international groups). Coalitions enabled groups to share their resources and increase power and legitimacy. Indirect influence was used to build pathways to the target organization when the instigator lacked salience with the target. By using the influence it possessed with other groups who could influence the target (or one of its stakeholders), the instigator could influence the target indirectly. Indirect influence could be activated by appealing to the channel's role (e.g., for government, media and the court), by appealing to the channel's conscience, or by appealing to the channel's self-interest.

Table 5.3 Part B: Summary of Changes Over Time

	Changes in Interpretations	Changes in Stakeholder Salience	Changes in MB
1: 1979-1987	PG had to reinterpret E-pressure from illegal fringe activity to legitimate public pressure – electoral issues.	The court's recognition of FN rights created lasting power for FN and E. The public and FG were legitimate and powerful to the PG, so PG had to use power against MB because of its role as a policy broker.	By period end, the power of the PG and courts had reflected onto Es and FN such that MB had to reinterpret them as moderately powerful. MB understood that it could no longer dismiss environmental pressures but had to now respond to them in a strategic and coordinated way.
2: 1988-1990	Backlash: Parks creation and environmental pressures were interpreted by MB, the Forest Alliance, SHARE, unions and communities as a threat to forest jobs and the economic health of the province.	Environmentalists' power (as perceived by MB) rose from low in period 1 to moderate at the beginning of period 2, and moderate to high by the end of the period. SHARE, the Forest Alliance, unions, forest workers and communities were salient to MB. Customers were already legitimate and powerful, and the threat of their becoming urgent on environmental issues triggered efforts by MB to manipulate them.	By period end, environmentalists were interpreted as moderate to highly powerful by MB because of the threat of boycott. MB developed and focused on the pro-logging faction as a way to increase support for its continued resistance to Environmentalists. Some employees developed an understanding of environmental pressures and developed ideas, which were quashed. A Chief Forester that was better able to handle the social pressures was appointed.
3: 1991-1994	Arrests in Clayoquot led to international interpretations of MB and government as being illegitimate. Customers interpreted MB's logging practices as a threat to their markets.	Es moved from moderately high power to high power through the period. Customers' salience was high.	Perception of threat increased markedly, but defiant responses were still dominant. LC was promoted to VP, Environment to deal with the growing environmental threat.
4: 1994-1997	FN rights to forest resources were affirmed by field members.	Es and FNs became perceived as legitimate through dialogue process (albeit with illegitimate tendencies on the part of Es). Customers were seen as legitimate even when they worked with Es.	Some MB members came to understand Es' and FN's perspectives more during negotiations. Customer threat continued to increase. The focus on Es, FN, and Customers reduced MB's focus on (and interactions with) the rest of the industry, the Forest Alliance, the PG and other stakeholders. Customer actions were reinterpreted as a legitimate response to market pressure. Split within the company: those directly involved in dialogue process saw the need for a holistic response, while

	Changes in Interpretations	Changes in Stakeholder Salience	Changes in MB
			executives and those in operational areas framed Clayoquot Sound as an isolated case. There was conflict and frustration when the concessions made to Environmentalists did not lead to a cessation of pressures. The company's financial performance was poor, and large-block shareholders agitated for leadership change.
5: 1998	Backlash: Unions, Forest Alliance and Provincial Government all became more urgent critics of environmentalists, attacking their tactics with customers, their science (or lack thereof), and framing environmentalists' campaigns as causing job losses.	Environmentalists and customers became the most salient stakeholders for MB. The Industry, Forest Alliance, and even PG and FN became less salient: they didn't have the power to impact the loss of markets that MB was experiencing due to the joint environmentalist and customer actions.	Significant changes in leadership, culture, strategy and organizational goals. Internal changes motivated change in interaction patterns, interpretations, perceptions of stakeholder salience, and responses to influence attempts. Those who had more exposure to environmental issues were empowered to respond.
6: 1998-2000	MB interpreted that a coordinated strategy was the only hope of finding a solution. Customers interpreted ongoing campaigns as tiresome and exerted power to force the parties to seek a solution.	Other forest companies rose in salience as they became joint targets. Es and Customers were highly salient and consumed nearly all of MB's attention.	MB was purchased by Weyerhaeuser. LC continued environmental leadership there.
7: 2000 +	Backlash: Domestic stakeholders perceived Es and CFCI to be making decisions without regard to the domestic policy process.	Domestic stakeholders increased in salience to CFCI companies as they used the media to lash out at CFCI and environmentalists.	--
Over-all	Changes in interpretations came from external environment changes (e.g., public values for the environment, FN power), or in response to prior influence attempts and MB's responses (e.g., backlash by traditional field members against changes wrought by environmentalists). When interpretations and practices changed, those who took them for granted and were privileged by them become activated (e.g., unions and community members developing urgency around jobs and economic issues). Changes in practices and reconfigurations of field members involved upsets to existing power relationships and privileged positions.	Changes in stakeholder salience came from 1) changes in the external environment (e.g., increase in FN power), 2) changes in field membership, such as when a stakeholder was activated to urgency by another stakeholder, 3) changes in relational patterns, such as when a stakeholder used the power and legitimacy of a coalition partner or indirect influence channel, or when a stakeholder gained reflected power and legitimacy from working with or through other stakeholders, or enduring rights or status as granted by a highly salient stakeholder (e.g., the courts or government).	Organizations must take into account not only their own interactions with stakeholders, but also their stakeholders' interactions with other stakeholders. Ties with stakeholders and the set of salient stakeholders shape interpretations. Learning can happen through relational ties, but may be stifled by power relations. A change in power can enable stifled interpretations to surface. (More in Chapter 5).

5.3.1. Changes in the Broader External Environment

During the duration of the study, there were several changes in the broader external environment that created impetus for institutional change. The first was a gradual shift in social values toward environmentalism. This shift began in the 1960s (Hoffman, 1997), and increased in intensity over time. It has been well documented in the environmental literature (see e.g., Dunlap & Van Liere, 1978). The change in social values created a need for stakeholder organizations that could shepherd those values (and which also reinforced and intensified them). Environmental organizations were formed. They entered corporate environmental protection issue domains and lobbied for changes in practices. The change in social values provided a backdrop for this study in period 1 and beyond, created a need for new stakeholders, and provided these stakeholders with a basis of support and legitimacy.[61]

This basis of support and legitimacy increased in period 2 as international groups began to value what happened in other jurisdictions. While environmental issues were initially framed as human health issues (Carson, 1962; Hoffman, 1997) which could be expected to resonate most closely with affected local populations, values have shifted to focus on the preservation of plant and animal species for their own sake, apart from human concerns. These values emerged in the BC forestry context in period 2 as international groups began to show concern for the preservation of old growth temperate rainforests in BC. This concern was stimulated by the domestic environmentalists who were active in period 1, as they reached across borders to develop constituencies of support in external communities (Keck & Sikkink, 1998; Bernstein & Cashore, 2000). This international basis of support was later instrumental in enabling the market campaigns of the environmental groups, since customers of MB had to reasonably fear the

reactions of their international consumers to a boycott of their products on the basis of MB's environmental problems.

In period 3, the change in social values became reflected in the domestic political environment; the NDP government was elected on a green platform. This political change significantly impacted the institutional context of forestry in that the government controlled access to the (predominantly) public forests, made land use decisions, and regulated forest practices. The presence of a green-leaning political regime bestowed more legitimacy on the anti-logging faction, and enabled increased environmentalist access to the BC policy-making process, thereby increasing stakeholder salience.

The NDP government under Premier Mike Harcourt also valued justice in aboriginal issues. Court decisions in favour of native rights in period 1 set the stage for the devolution of power to First Nations in period 4. This significantly changed the institutional environment as it put First Nations in the position of being a policy broker (Sabatier, 1993) in Clayoquot Sound – First Nations immediately rose in power and legitimacy in the eyes of other field members.

Also in period 4 and extending into period 5, economic conditions deteriorated. The economic implications of pro-environmental land use and forest practices decisions began to be reflected in poor returns for forest companies (thereby reducing government revenues) and in job losses for forest workers. These effects were exacerbated by the Asian financial crisis, since a significant proportion of BC coastal forest products were sold in Asian markets. The combination of poor Asian markets and threatened access to European and American markets due to environmentalists' pressures on customers there created uncertainty and the perception of an economic crisis in BC forestry. This crisis perception paved the way for a more general

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[61] Even some members of MB supported environmentalists, initiating normative fragmentation, value commitment

backlash against environmentalists in period 5, as environmentalists were interpreted to be the underlying cause of the threatened market access and the increased costs associated with changes in forest practices and land uses.

Table 5.4: The Effects of External Environment Changes on Other Institutional Change Determinants.

External Environment Change	Effects	Institutional Change Determinants Impacted
Changes in social values	Created the need for new stakeholders	Emergence of new players
	Created support for these stakeholders with domestic publics and international publics (and even some members of forest companies)	Changes in stakeholder salience; political and legal shifts; market changes; normative fragmentation, value commitment differences and learning at the firm level.
	Created electoral support for political shifts	Political shifts; changes in stakeholder salience; indirect influence
	Created support for international market campaigns	Changes in markets; changes in stakeholder salience; indirect influence
Political and legal shifts	Environmentalists gained legitimacy and access to the policy process domestically; First Nations gained power and legitimacy	Shifts in importance of/demands of stakeholders; coalitions
Changes in general economic conditions	Activated a backlash against environmental changes	Interpretations; uncertainty

In summary, c*hanges in social values, political and legal shifts, changes in general economic conditions* and *changes in markets* were broader external environment changes that

differences and the possibility for individual learning at MB that grew over time.

created the conditions for institutional change in the BC coastal forestry during the term of this study. They worked through other institutional change determinants as shown in Table 5.4.

5.3.2. Changes in the Organizational Field

Within the organizational field,[62] a number of institutional determinants changed that affected other determinants. These included market changes, changes in field membership (emergence of new players and exit of others), changes in stakeholder salience (ascendance of actors, shifts in relative importance of field members, changes in the demands for which stakeholders have urgency), changes in relational patterns (use of indirect influence chains, changes in coalitions, changes in ties), changes in incentives (associated with contextual changes due to changes in stakeholder salience), and changes in interpretations. I discuss the changes as they occurred in each period, identifying their causes and effects.

5.3.2.1. Baseline

At the beginning of period 1 (baseline), field membership included the BC Government and the forest companies at the centre. The forest companies determined which areas they planned to cut, and the government approved these plans. Land use decisions were made by the government.[63] There were close ties between forest companies and the government, and field boundaries were relatively impermeable. As a result, uncertainty was low. First Nations also had some stake in the issue domain, as they were actively seeking to negotiate their land claims,

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[62] Consistent with Hoffman (1998), I focus on organizational fields as they form around issues. Thus the organizational field I discuss here is the set of organizations that are active in the issue domain of BC coastal forest practices and forest land uses.

[63] Forest workers also had a stake in where and how the forests were cut since the 'how' influenced their safety and the 'where' influenced their livelihood and living location. Their unions spoke for them, and were relatively

which impacted land use decisions. Their claims were largely ignored at the beginning of period 1, however, and they remained at the fringe of the field. Environmentalists had also begun agitating, but they had no institutionalized access to the policy process. As a result, their demands were unnoticed or dismissed.

5.3.2.2. Period 1

By the end of period 1, First Nations and Environmentalists had formed a coalition to share resources and jointly impact other stakeholders, linking the issues of forest preservation and native land claims. The courts were used by First Nations and environmentalists to affirm First Nations' land claims (indirect influence). Similarly, the media was used by FN and environmentalists to raise the salience of their claims with the public, providing them with the power to raise their claim with the federal government, which could in turn influence the provincial government to create a park in South Moresby, which affected MB (indirect influence). These changes in relational patterns had the effect of bringing new members into the field (the media, the public and the federal government) by creating a sense of urgency (thus increasing the salience of new stakeholders) and by having more established stakeholders use their pre-existing power and legitimacy to influence the provincial government, who could in turn impact MB. These *field membership changes* destabilized the existing field configuration and increased the conflict in the field. *Uncertainty* increased to moderate as the impact of the court and government parks' creation decisions was threatening and could potentially establish a dangerous pattern of future pro-environmental decisions.

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powerful, but did not usually contest the where and how of cutting since they accepted the government's legitimate role in approving logging plans. In period 1, forest workers and unions were not active in the issue domain.

Environmentalists used their social skills of meaning-making (Fligstein, 2001) as well as their zeal, putting their bodies on the line to present their claims in such a way as to change the *interpretations* of other groups so that they would become more environmentally responsive. For example, by reframing logging (a taken-for-granted part of the BC context) as destruction of 'ancient rainforests', environmentalists were able to appeal to the environmental conscience of members of the public. Then, by referring to public support for environmental protection, environmentalists were able to convince the provincial government that changes in forest policy were electoral issues that represented political opportunities and threats, appealing to the provincial government's role as a policy broker. The public and the federal government both had power and legitimacy with the provincial government, and thus the provincial government had to respond. These new demands had the effect of reducing the strength of the *ties* between the provincial government and forest companies, as the government had to respond to other stakeholders at the expense of the forest companies.

By using indirect pathways for influence, both environmentalists and First Nations were able to increase their *stakeholder salience* in an enduring way. The court, by affirming First Nations rights, granted them legal power that they could use again. The governments and the public acknowledged the legitimacy of environmentalists' claims and bestowed their power on environmentalists. The threat that this power could be called upon again in the future suggests a reflection of this power onto environmentalists. The acknowledgement of the legitimacy of the environmentalists' claims by legitimate field members also led to a reflection of their legitimacy onto environmentalists.

5.3.2.3. Period 2

In period 2, the forest industry fought back by interpreting environmentalists' pressure as threats to forest jobs and communities *(interpretations),* then using those interpretations to a) justify the creation of the Forest Alliance and SHARE BC, and b) ignite urgency among unions, forest workers and forest-dependent community members *(field membership changes).* These stakeholders had power and legitimacy with the provincial government *(stakeholder salience)* and the industry created counterpressure on the government by inciting these groups to action *(indirect influence).*

Environmentalists were still successful in influencing the government, however. By appealing to the government's role as enforcer of forest practices, environmentalists were able to influence the government to crack down on abuses by MB *(indirect influence).* By activating the public on the Carmanah Valley issue *(indirect influence)*, environmentalists were also able to influence MB to make some concessions, small though they were. The threat of an international boycott increased the *salience* of environmentalists and international audiences for MB: customers were already legitimate and powerful, and the threat of their becoming urgent on environmental issues triggered efforts by MB to manipulate them and their consumer stakeholders. By the end of period 2, environmentalists had begun to activate their consumer stakeholders by forging *coalitions* with international environmentalists and developing media campaigns to impact international politicians and publics *(field membership, interpretations, indirect influence). Uncertainty* increased.

Interconnectedness was strong within factions (tight coupling), reinforcing members' shared interpretations, but was low between factions. Faction boundaries were thus relatively impermeable, and *interpretations* did not diffuse well from one faction to the other.

5.3.2.4. Period 3

In period 3, the new NDP government *interpreted* environmental issues as being core issues for their mandate, raising the *salience* of environmentalists even further and increasing uncertainty in the environment for the forest companies. As Bernstein and Cashore (2000) suggested, only those who care about others' views of their actions are affected by increased pressure. The NDP government cared about others' views of their environmental performance. Environmentalists leveraged this concern by building international criticism of BC logging practices via multimedia *indirect influences*, including concerts, theatrical performances, books, documentaries, public condemnations and press coverage, by international politicians, celebrities and members of the public. The spectacle of Clayoquot Sound provided prime fodder for new international *interpretations*, as environmentalists framed the 800 arrests as clear evidence of a repressive regime in league with forest companies. The *salience* environmentalists built with international stakeholders enabled them to influence international customers of MB forest products by threatening them with international boycotts and encouraging them with promises of international praise. Customers came to *interpret* BC forest practices as threats to their consumer markets, and entered the field toward the end of the period with undeniable power over forest companies *(stakeholder salience),* though it was at first perceived as illegitimate that they should be involved in censuring forest practices. In *coalition* with environmentalists, customers called for changes in BC forest practices, immediately raising the *salience* of environmentalists to a very high level through a reflection of their market power and legitimacy.

Uncertainty became even higher as MB had to respond to customers' influence attempts but did not know how, increasing members' attempts to make sense of the new environment.

The provincial government took a middle position, no longer in the pro-logging faction. An attempt to cross factions failed (WCWC and MB CEO meeting). Interconnectedness remained strong within factions and weak across them. The field boundaries were very permeable, but the boundaries of factions were less permeable. Customers increased permeability of the pro-logging faction since customers had to be attended to by forest companies.

5.3.2.5. Period 4

In period 4, First Nations' used their newly acquired power to commence a dialogue process with environmentalists and MB, forming new *relational patterns* and crossing the faction divide. These new ties raised the perceived legitimacy of environmentalists to MB, and paved the way for a coalition between First Nations and MB via the Iisaak joint venture. With acknowledged power and legitimacy *(stakeholder salience)*, environmentalists could now effectively influence MB more directly. For example, environmentalists' protests in Sulfur Creek and their recommencement of the Clayoquot Sound campaign had immediate effects on MB. Environmentalists continued to strengthen their *coalitions* with customers, and MB spent more effort on understanding environmentalists' *interpretations* and dealing with customers' concerns. Customers were now seen by MB as legitimate in their involvement in forest practices since it was understood that they had little choice due to environmentalists' power with consumers. The new *relational patterns* had the effect of narrowing MB's focus: other stakeholders became less salient as environmentalists and customers consumed more of the company's attention.

The government was increasingly left out of interactions among this smaller group: the government's need to serve multiple constituencies did not allow it to simplify its context, as MB

had done, and the conflicting demands paralyzed the government in a kind of *institutional gridlock.* It was constrained from moving in any direction by the demands of those who preferred another direction. The government's activation of the Scientific Panel to make recommendations on Clayoquot Sound can be seen as a response to this paralysis – effectively, the government gave the Scientific Panel power so it could avoid taking responsibility for any actions.

5.3.2.6. Period 5

In period 5, after significant power shifts at MB, the company acted as an institutional entrepreneur by phasing out clearcutting. This change made perfect sense given MB's reduced focus on environmentalists and customers, however it looked strange in the context of the field. The backlash against environmentalists had grown in urgency among field members who were losing privileges as a result of environmentalists' efforts. The IWA was suing Greenpeace, declared a boycott against it and blockaded it. The Forest Alliance came out with strong anti-environmentalist statements in the press. The Premier of BC (Glen Clark, a replacement for the greener Mike Harcourt), called Greenpeace "enemies of the province." Environmentalists were thus *interpreted* by these field members as highly illegitimate. Interconnectedness within the pro-logging faction was strong, limiting dissent. MB was no longer tightly tied to this faction, though, and the salience of these other stakeholders was low to MB: they could not help MB solve its problems with customers. MB's direct influence on environmentalists (and therefore customers) through phasing out clearcutting was an attempt to reduce the uncertainty in its environment by complying with the most salient institutional pressures. When the less salient

Forest Alliance criticized MB, the company promptly severed its ties to the Forest Alliance and distanced itself further from the industry *(change in relational patterns).*

5.3.2.7. Period 6

Period 5 was short. When environmentalists changed the game by *interpreting* all BC coastal forest companies as the target of its campaigns (including MB), the other forest companies became immediately *salient* to MB again. MB *interpreted* the new game as requiring a coordinated strategy among forest companies and formed the CFCI *coalition,* re-establishing *ties* with targeted firms, and pressuring industry members to share its new *interpretations* and *learning.* While MB's solution of phasing out clearcutting had been successful for a short time, its only partial success motivated attempts to adapt the solution among CFCI members. The CFCI attempted to change customers' *interpretations* of their forest practices by inviting customers out to view logging sites. Environmentalists presented counter-interpretations, however, and customers responded by using their power to motivate dialogue between the companies and environmentalists *(new relational patterns),* hoping to put an end to the tiresome, double-edged pressures. CFCI members were prompted by the high level of uncertainty in the environment to adopt a more targeted focus on environmentalists, customers and each other *(stakeholder salience).*

5.3.2.8. Period 7

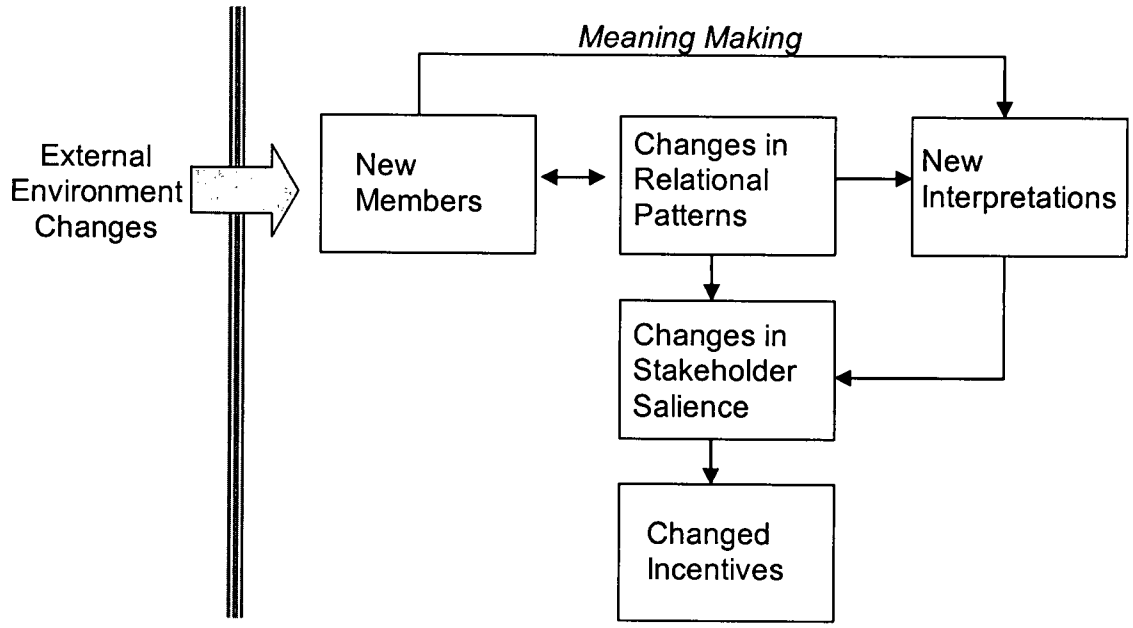
As other stakeholders found themselves cut off from the decision-making process, they responded by lashing out at CFCI companies and environmentalists, appealing to traditional institutional *interpretations* to claim their legitimate positions at the bargaining table. Their

urgency on this matter raised their *salience* to CFCI companies and environmentalists, and they still claimed some power and legitimacy with the parties (especially the government who was ultimately responsible for making the decisions). Many of the other parties were also former coalition partners with either environmentalists or forest companies. As these stakeholders were included in the bargaining process, *ties* among parties were re-established, setting the stage for the diffusion of shared values and new institutions.

5.3.2.9. Summary of Determinants and Processes at the Field Level

Each of the determinants discussed at the field level, as well as the broader external environment changes, interacted with each other significantly to create institutional change. Four key processes at the field level worked to change the incentives in the organizational field, and create the conditions for institutional change. Their interrelationships are illustrated in Figure 5.1.

Figure 5.1: Field Level Processes



Changes in field membership were affected by changes in external environment conditions, and they in turn affected (and were affected by) *relational patterns* within the field. *New interpretations* also arrived with new members, and diffused to others through relational patterns. *Stakeholder salience* (power, urgency and legitimacy) was affected as *new relational patterns* disturbed existing power relationships and legitimacy interpretations. The effects of field level changes on other institutional change determinants are summarized in Table 5.5.

Changes in field membership arising from changes in social values have been previously identified in the institutional literature as contributors to institutional change (Hoffman, 1999). In this study, we see that new field members, lobbying for institutional change, activated other groups to become field members. These institutional change agents used rhetoric and social skills to package issues in such a way that other groups became active. By *making meaning* for other stakeholders, change agents were able to change stakeholders' interpretations and access their power and legitimacy through coalitions and indirect influence chains.

Key contributions to institutional change were made through changes in relational patterns, which arose through *coalitions* and through *indirect influence* (Frooman, 1999). Stakeholders formed *coalitions* when they shared goals (e.g., First Nations and environmentalists), or when one activated another by framing an issue as in their best interests (e.g., jobs framing for unions, economic health for community members, consumer market access for customers, and appeals to environmental sensitivity for public and international groups). Coalitions enabled groups to share their resources and increase their power and legitimacy.

Table 5.5: The Effects of Organizational Field Changes on Other Institutional Change Determinants.

Field Level Changes	Effects	Institutional Change Determinants Impacted
Changes in field membership	Destabilized institutional arrangements and field configuration. Forced institutional reproduction into consciousness.	Increase in uncertainty. Changes in relational patterns. Changes in interpretations.
Changes in relational patterns: indirect influence chains, coalitions, ties	Environmentalists gained salience via changes in relational patterns as they activated other stakeholders to urgency (bringing in new field members) with their rhetorical skills and zeal. Interpretations changed via ties and influence chains.	Changes in interpretations, changes in stakeholder salience. Changes in field membership.
Changes in interpretations	Field level: new groups brought new, more urgent interpretations. Relational patterns changed (e.g., because they acted as part of influence chains), and some stakeholders became more salient. At the firm level, changes in interpretations that diffused to some individuals from the field created divergence in norms and values. Changed interpretations created the opportunity for individual and organizational learning and institutional entrepreneurship as individuals acted on their new interpretations.	Field-level: changes in relational patterns, field membership, stakeholder salience. Firm-level: normative fragmentation and value commitment differences. Organizational and individual learning. Institutional entrepreneurship.
Changes in stakeholder salience	As environmentalists (and others) became more powerful and legitimate field members, incentives changed to reflect benefits associated with attending to them.	Changes in interpretations. Changes in incentives.
Changes in incentives	Organizations changed their interpretations and goals to match new incentives, and those that didn't faced performance and legitimacy decrements. Power shifted to privilege organization members who could deal with the newly salient stakeholders.	Firm-level: Performance/legitimacy decrements. Changes in organizational goals. Power shifts.

Stakeholders also used *indirect influence* chains to build pathways to the target organization when the instigator lacked salience with the target, and a coalition was either

infeasible or undesirable. By using the influence it possessed with other groups who possessed influence with the target (or one of its stakeholders), the instigator could influence the target. Indirect influence could be activated by appealing to the channel member's role (e.g., for government, media and the court), or by appealing to the channel's conscience (e.g., with international publics), or by appealing to the channel's self-interest (e.g., with customers). Relational channels were a key means for diffusing new interpretations and for increasing a stakeholder's own salience through access to a partner's (or channel's) salience. Again, social skills for meaning making (and for recognizing influence opportunities) were necessary for building coalitions and influence chains.

The changes in the organizational field had significant spillover effects onto members of MB, the institutionally entrepreneurial firm. Changes in the institutional context could not have happened without an institutional entrepreneur. An institutional entrepreneur, according to Beckert (1999), actively reflects on institutions, and then destroys them by providing alternate models to achieve the same objective. Individuals at MB fulfilled that role, and changes at MB are described in the following section.

5.3.3. Changes in the Institutionally Entrepreneurial Firm

The story of changes at MB is presented in outline here only, as it was the principal subject of Chapter 4. However, to identify a comprehensive set of institutional change processes, it is necessary to examine changes in the institutionally entrepreneurial firm. I first review the data, then summarize the institutional change determinants, then compare and integrate them with the organizational learning processes identified in Chapter 4.

Following MB's responses through the seven time periods, we can see that MB developed *new interpretations and learning* via *new relational patterns*. These were enabled by *changes in stakeholder salience* due largely to the efforts of environmentalists and First Nations to reconfigure the organizational field. New interpretations and learning remained isolated, however, until *changes in goals* and *changes in power* within MB empowered these individuals to diffuse their interpretations and change the company's actions on the frontstage of the organization.

MB senior managers initially dismissed influence attempts by environmentalists and First Nations. By the end of period 1, however, the power of the provincial government and the court had reflected onto environmentalists and First Nations, such that MB had to reinterpret them as moderately powerful *(change in stakeholder salience)*. As such, MB took a more strategic stance toward environmental pressures in period 2, attempting to log the contested Carmanah Valley before pressures rose to a serious level. When the organizational field expanded to include significant public pressures, and when international boycotts were threatened, environmentalists were re-interpreted as moderate to highly powerful by the end of period 2 *(change in stakeholder salience)*.

MB participated in the development of the pro-logging faction as a way to increase support for its own position *(changes in relational patterns)*: by focusing on faction members, MB could draw support for continuing to resist the pressures. However, the pro-logging faction was unsuccessful in quelling environmental pressures, as were attempts to change the interpretations of international groups and the public via public relations.

Some employees (particularly those who were in direct contact with the sources of pressure and those who were unconstrained actors because they were new members or

characteristically open-minded) developed *new interpretations and learning* with respect to environmental pressures, and developed new ideas, which were initially isolated. However, the ongoing uncertainty resulted in two personnel changes which *shifted some power* to those who were better able to interpret environmental pressures (a Chief Forester and a VP, Environment). The involvement of MB personnel in dialogue with environmentalists and First Nations *(new relational patterns)* stimulated backstage *learning* among those members and allowed environmentalists and First Nations to be reinterpreted as legitimate. These individuals had the social skills (Fligstein, 2001) necessary to make meaning for others in the organization. As Lawrence (1999: 164) suggested, "institutional strategy demands the ability to articulate, sponsor and defend particular practices and organizational forms as legitimate and desirable."

The *new interpretations* did not diffuse more broadly within the company, however, until *power shifted.* This shift in power was associated with the agitation of large-block shareholders for leadership change, due to the company's poor financial performance. However, the power shift brought significant changes in *organizational goals,* which empowered *changes in interpretations* and responses, leading to the phasing out of clearcutting, and the withdrawal of MB from the Forest Alliance. Prior spillover of interpretations from different actors within the field to MB members had resulted in an erosion of support for institutionalized practices, or *deinstitutionalization.* Those MB employees who had engaged in learning processes and had developed new interpretations *made meaning* for other employees, which helped them come to accept the new solution that had been adopted and empowered by the organization.

When environmentalists' campaigns were broadened to include all coastal forest companies including MB, MB managers *reinterpreted* their go-it-alone strategy. They actively built a coalition of other coastal forest companies to attempt to diffuse the variable retention

innovation, and ultimately, develop an inclusive interconnected field to end the conflict and help shared institutions take hold. Although MB was purchased by Weyerhaeuser during this coalition effort, MB's former VP, Environment continued coalition leadership through Weyerhaeuser.

A conceptual framework of the processes of change which occurred at the institutionally entrepreneurial organization is shown in Figure 5.2. This framework combines insights from this analysis, based in institutional theory, with those presented in Chapter 4, based in organizational learning theory.

As can be seen in Table 5.6, the determinants of institutional change at the institutionally entrepreneurial firm are highly related to the facilitators of organizational learning identified with an organizational learning lens. Unconstrained and open-minded actors within the firm (on the backstage) that had direct exposure and relational ties to stakeholders with different perspectives viewed those stakeholders as more salient than others in the organization and adjusted their relational patterns to increase their direct exposure even further. As a result of their attending and intuiting, their interpretations changed and/or were different from those institutionalized within the organization.

With their social skills, these individuals were able to initiate new interpretations and pushed learning on to the front stage of the organization, leading to overall changes in stakeholder salience and relational patterns. Their autonomy, or the endorsement by those in power, enabled experimentation and eventually allowed for the allocation of power and resources for joint sensemaking and integration. Institutionalization of the new interpretations was facilitated by the shifts in power, changes in organizational goals, and the involvement of

trusted niche representatives who could then use their social skills to make new meaning for their constituencies.

Table 5.6: Comparison of Results from Chapter 4 and Chapter 5

Chapter 5: Determinants of Institutional Change at the Institutionally Entrepreneurial Firm	**Chapter 4: Facilitators of Organizational Learning Processes**
New Relational Patterns	Direct Exposure/Relational Ties
Changes in Stakeholder Salience	Unconstrained/Open-Minded Actor
	Social Skills for Meaning Making
	Joint Sensemaking
New Interpretations/Learning	Erosion of support for institutional interpretations
Changes in Goals	Endorsement of Trusted Niche Reps
Changes in Power	Autonomy or Endorsement
	Power/Resources for Integrating
Performance/Legitimacy Decrements	Solution's effectiveness

The fact that the solution was successful in resolving a legitimacy decrement for MB (which the CEO had also linked to current and future performance decrements) made reinstitutionalizing much easier. Reinstitutionalizing was also facilitated by the prior erosion of support (deinstitutionalization) that had occurred within the rank and file of MB due to members' exposure to pressure from the external environment, particularly when that pressure came from community members and friends with whom they had relational ties. The ongoing external environment pressure and changes in the organizational field created the backdrop which enabled the power shift and the deinstitutionalization of existing interpretations.

Overall, the institutional change and organizational learning perspectives complement each other nicely. Institutional theory provides a particular focus on the environment and field pressures, with some clues as to the internal organizational adjustments. The organizational learning perspective puts flesh on the bones of the internal organizational changes, identifying

factors at the individual, group and organizational levels of analysis that lead to learning and change.

Figure 5.2: Processes of Change at the Institutionally Entrepreneurial Organization

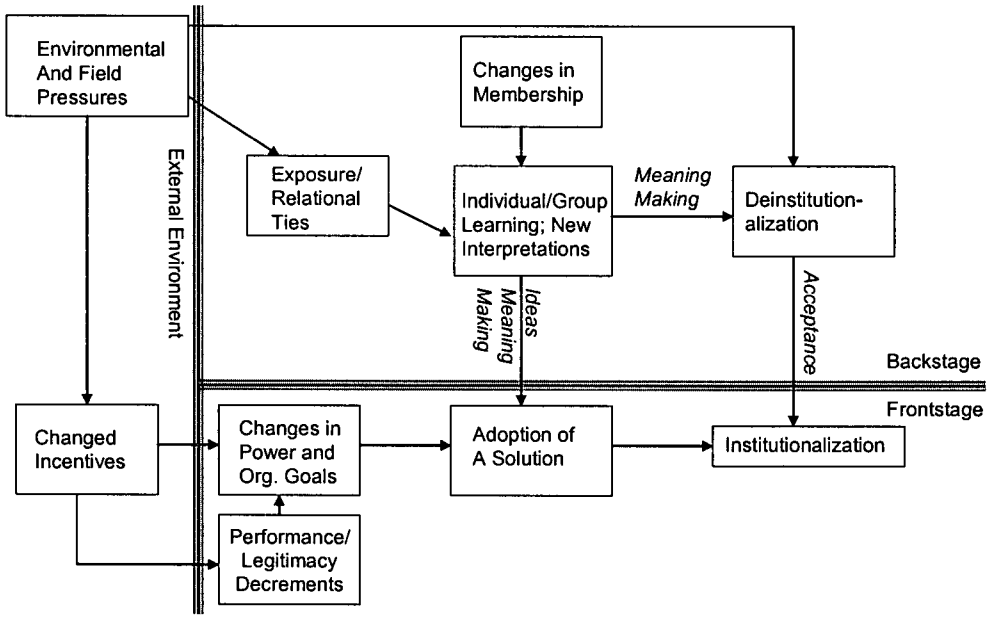
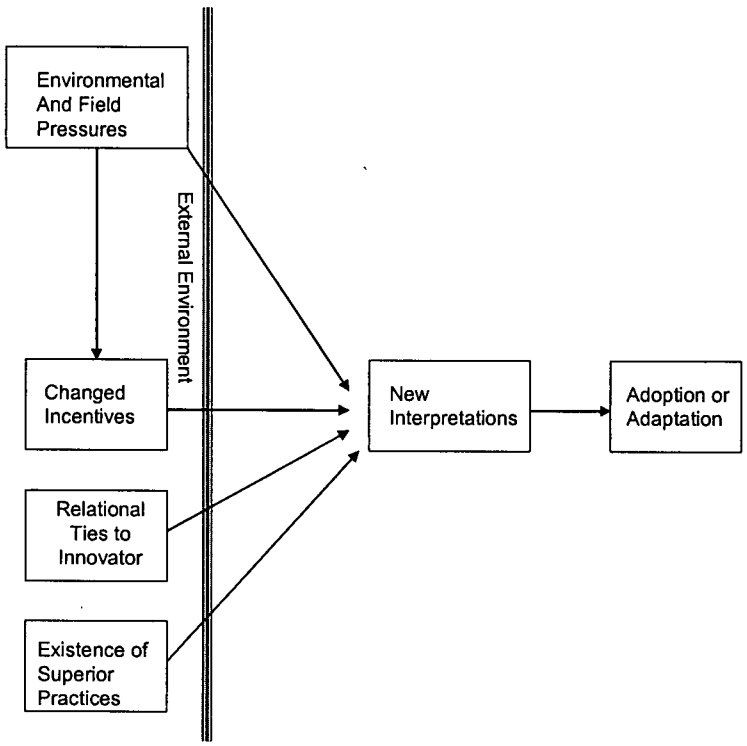


Figure 5.3: Diffusion Processes



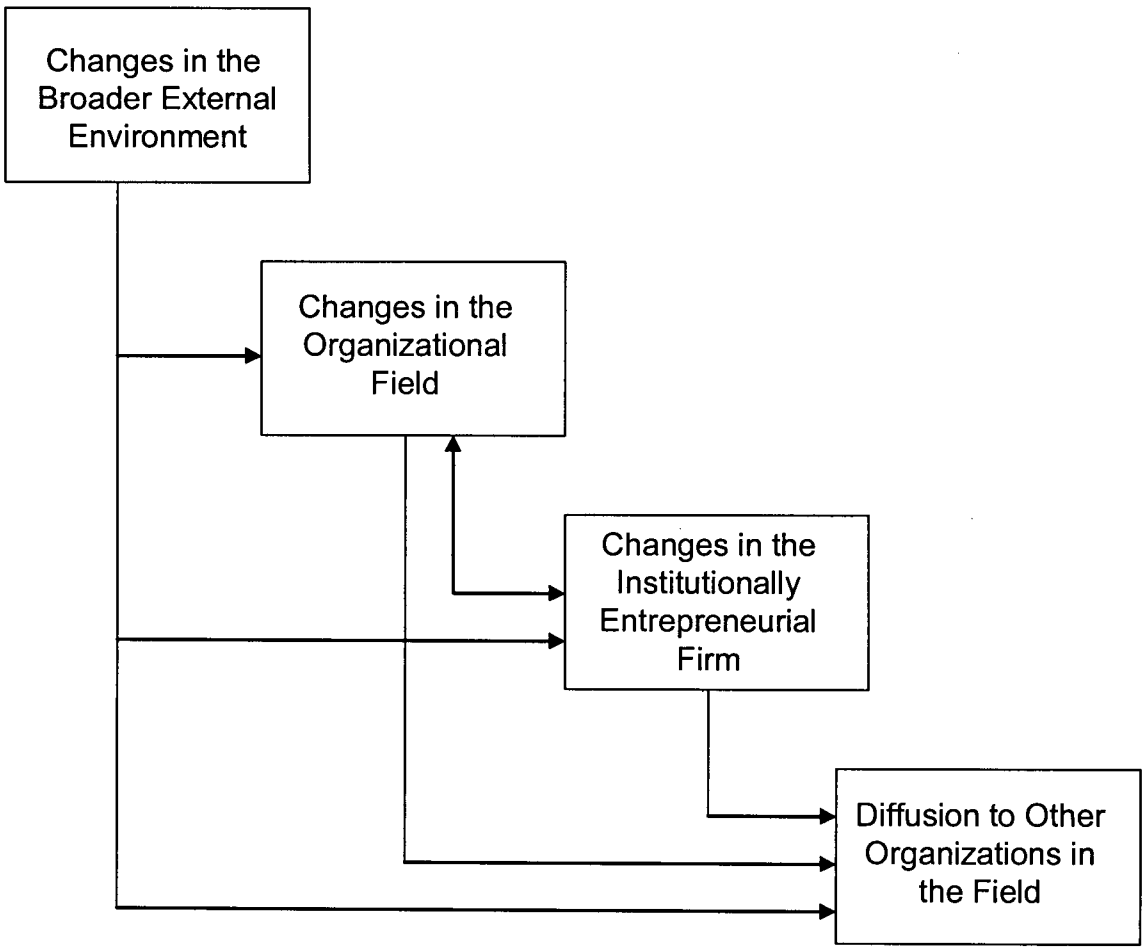
5.3.4. Diffusion of Institutional Changes to the Field

While it is not the express purpose of this dissertation to focus on diffusion of institutional changes to the organizational field, a comprehensive discussion of determinants of institutional change must go beyond the institutional entrepreneur to other similar organizations in the organizational field. The discussion of the formation of the CFCI in Period 6 and the discussion of MB's story provide us with some ideas about the determinants of diffusion of institutional change. This analysis is limited, however, by the fact that diffusion was incomplete at the end of the study. In this case, diffusion was stimulated by active efforts on the part of MB to form a coalition and press for the diffusion of its variable retention solution. CFCI members now faced *institutional pressures* similar to the ones that had plagued MB for years. By forming new *relational ties* with CFCI members, MB was able to diffuse its *learning and interpretations* to them. Two members *adopted* the variable retention solution. Because MB's solution was only partially successful, however, members of the coalition engaged in efforts to *adapt* the solution to one that would be more enduringly effective. See Figure 5.3.

5.3.5. Overall Framework of Institutional Change

The overall, stylized model of institutional change is shown in Figure 5.4, progressing through changes in the broader external environment, to changes in the field level, to changes in the institutionally entrepreneurial firm, back to changes in the organizational field as the innovation diffuses. This model, presented in outline only, is composed of the nested models shown in Figures 5.1 to 5.3.

Figure 5.4: Overall Process of Institutional Change



5.3.6. Processes of Institutional Change

Many of the determinants of institutional change as presented are themselves processes, however it is the dynamic interrelations among them that bring about institutional change. In this study, changes in the external environment (social values) created space for new stakeholders in the field. These new stakeholders reconfigured the field by bringing in *new members*, *changing relational patterns* and *changing interpretations.* Their actions changed their *salience* to forest companies, and also changed the political context, creating impetus for another change in the external environment (election of the NDP government), that in turn

reinforced and extended their efforts to reconfigure the field and reinterpret institutional norms, values and practices.

In response to these changes, the target firm activated additional stakeholders to put counterpressure on the anti-logging faction with its own faction. The firm's response to the pressures thus co-created (with environmentalists' actions) the multiplicity of demand in the field context and reconfigured the field, adding significant uncertainty in the process. The tight coupling within factions reinforced shared values, and created stronger resistance to cross-faction influence attempts. The multiplicity of demand paralyzed the government, whose role it was to respond to all of the demands, and forced the need for alternate means of solution development.

The faction divide was crossed when stakeholders with mixed motives were part of cross-factional coalitions. For example, First Nations and Customers were in coalitions with environmentalists while they shared some objectives with forest companies. These mixed motive players had legitimacy with both sides, and were able to facilitate the diffusion of interpretations across factions.

Reconfigurations of field members and changes in actions which accompanied these reconfigurations involved upsets to existing power relationships and privileged positions, and frequently stimulated a backlash by formerly salient stakeholders. For example, government parks creation stimulated a backlash by those who lost the benefits of forest jobs; similarly, the exclusion of unions, First Nations, the provincial government and forest-dependent community members from the CFCI negotiations stimulated a backlash by these groups, who attempted to regain their former salience.

To enrich the discussion of processes of institutional change, the results of this study are compared to a recent model of stages of institutional change presented by Greenwood, et al. (2002).

5.3.7. Comparison to the Model of Stages of Institutional Change

Greenwood, et al., (2002 presented a model of six stages of institutional change, including 1) precipitating jolts, 2) deinstitutionalization, 3) preinstitutionalization, 4) theorization, 5) diffusion, and 6) reinstitutionalization. The BC coastal forestry context to 2000 illustrated stages 1 through 4, while stages 5 and 6 are yet to come. This study adds some nuances to the Greenwood, Suddaby and Hinings (GSH) model. First, stage 1, precipitating jolts, need not be jolts at all, but can be more gradual shifts that create changes in field membership, relational patterns and stakeholder salience. The changing public values for environmentalism in this study created space for environmental organizations to enter the field and gradually gain power and legitimacy through the activation of other actors. Emergence and ascendance of actors are included in stage 2 of the GSH model and are supported empirically here.

Institutional entrepreneurship is included in stage 2 of the GSH model, though stage 3 (preinstitutionalization) includes independent innovation. In this study, in stage 2 the institutional entrepreneurs were the environmentalists, who reconfigured the field, changed the existing power relationships and supplied new meanings. However, as non-practitioners, they did not advance innovations in practices. They created the context for innovations in practice to emerge.

In stage 3, MB developed the independent innovation, acting as the practice-based institutional entrepreneur. Greenwood, et al. (2002) assert that technical viability is paramount for such independent innovation in the preinstitutionalization stage, however the context in which they developed their theory was one in which significant conflict among subcommunities within the field did not exist. In this study, there was a high level of normative contestation in the field. Normative viability was a very important driver of preinstitutionalization. While technical viability (efficiency) was also necessary for the adoption of the solution, in MB's case, the normative viability was established first, and the business case was built later. Careful attention was paid by MB managers to constructing supporting normative arguments for the solution, followed by the construction of efficiency arguments. It may be that normative viability is paramount when the field is normatively contested.

In the Greenwood, et al., (2002) study, theorization (stage 4, in which a general problem is specified and an abstract solution is justified) occurred over 20 years, showing the durability of institutions in the face of pressures for change. Theorization occurred quickly in the current study once MB identified a solution: it began in 1998, involved the major forest companies by 1999, and other key players by 2000. The longest time period in this study was required for the deinstitutionalization stage: because the need for change was articulated by low power/low status actors who invoked a value system that conflicted with the one institutionalized in the field, it took many years before forest companies accepted the need for change. Environmentalists had to build power and legitimacy via relationships before forest companies would stop resisting their demands.

In the Greenwood, et al., study, the need for change was presented dramatically, but the kind of change required was framed as consistent with the past. At MB, the change was framed

inconsistently with the past. In fact, the past was repudiated and the solution was framed as a realignment of the company with a changing environment. This inconsistent framing appeared to be necessary because of the depths of illegitimacy to which the company had sunk: salvaging the past was not an easy option. The external pressures had created a context in which existing institutions were non-viable. Furthermore, because the leadership had changed, the past could be blamed on others, and the future could be associated with new leaders. When other companies adopted the variable retention solution, however, they framed it as consistent with their regular agenda of practicing socially- and environmentally-responsive forestry.

In the theorization phase in the BC forestry context, the involvement of the other forest companies in the CFCI made changing the solution necessary. The solution had been only partially successful, enabling the other firms to question its legitimacy. In addition, one of the other firms (Canfor), had its own preferred solution, and it was able to lobby within the CFCI to adapt the solution. CFCI members also innovated together as they responded to changing demands from environmentalists and customers during the theorization phase. Thus, at least when fields are contested, theorization processes may involve adaptation of solutions and development of novel solutions.

5.4. Conclusions

This study contributes to work on institutional change in several ways. First, a comprehensive set of determinants of institutional change was identified based on both grounded observations and extant research. Dynamic interactions among these determinants were described, demonstrating processes by which institutions change. While other studies have identified determinants such as the ascendance of actors and emergence of new actors, this study

goes further to identify by what processes these determinants became operational and how they affected other determinants.

A key determinant of changes in stakeholder salience over time was the use of indirect influence. By stimulating the urgency of other institutional players that had more power and legitimacy with the target firm or one of its stakeholders (or one of their stakeholders), environmentalists were able to make change happen in the short term, and to increase their own power and legitimacy in the longer term. While indirect influence that was coerced due to resource dependence relationships has been studied by Frooman (1999), this study presents other mechanisms by which indirect influence can be stimulated, including appeals to another organization's role, conscience or self-interest.

A key process by which institutions change that has received only limited attention in the literature is changes in relational patterns. In this study, relational patterns shifted as field members formed coalitions and engaged in bargaining with other field members. Field members increased the urgency of both new and existing field members by changing their interpretations of issues. Intentional changes in relational patterns increased the multiplicity of the field and then reduced it again, as ties were severed and some demands lost salience. Consistent with institutional arguments (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Oliver, 1991), shared norms and interpretations diffused through interactions within the field. In contested fields where more than one sub-community exists, however, norms and interpretations can exist *within* factions that conflict *across* factions. Interconnections within factions increased ingroup/outgroup behaviour, increasing resistance to cross-faction influence. Changes in relational patterns were key to diffusing interpretations across faction divides, enabling the development of novel solutions.

Significant changes in field configurations associated with changes in relational patterns and stakeholder salience elicited a backlash here, as previously privileged stakeholders found their positions changed. The backlash stimulated renegotiations of field arrangements, and in this study, eventually created a common organizational field out of feuding factions. While interpretations were not shared by the end of the study, the conditions were in place for the development of shared interpretations. The set of stakeholders was meeting together, collecting data together and identifying solutions together. Such interconnectedness is expected to increase the extent of shared norms.

This chapter has added to the literature by exploring dynamic elements of institutional influence and change. Processes of change have been identified, with particular attention paid to changes in the context of the organizational field. Tying together responses to influence attempts, dynamic processes of institutional change, and processes of organizational learning and institutional entrepreneurship provides us with a comprehensive, multi-level framework of institutional change.

CHAPTER 6:

CONCLUSIONS

6.1. Contributions, Limitations and Directions for Future Research

The focus of this dissertation has been on the determinants and processes of institutional change operating at multiple levels of analysis. Pressures arising from the broader external environment resulted in changes in the field context, which triggered changes in an institutionally entrepreneurial firm, creating more changes in the field context and setting the stage for institutional change.

This dissertation features a relatively rare attempt to follow, over time, the multilevel influences and processes associated with a significant institutional change. The study is sensitive to both context and process and uses rich data from multiple sources to enable triangulation (Jick, 1979). The change was followed through the early emergence of pressures from outside the organizational field, to changes in the organizational field, including institutional entrepreneurship by one organization, and the diffusion of a new perspective among other leading organizations. Furthermore, while the path of institutional change is not yet complete (institutional arrangements have not yet stabilized and solidified), a more general overall solution that meets the needs of existing (powerful) constituents seems to be on the horizon.

The analysis here has remained sensitive to influences from individuals, groups and organizations, and from those both within and outside the field. The iterative and recursive effects of institutional pressures, strategic responses, power, and learning have all been

encompassed in the study, providing a comprehensive look at radical institutional change. The focus of this study on the perspectives of multiple field members as they act and react recursively appears to be new to the literature. Furthermore, Sastry, et al., (1999) argued that the interface between the organization and the field is critical for understanding institutional change and conformity, and yet we know little about it. The idea that organizations may *choose* how to respond to institutional pressures has not been examined in depth and over time at the level of individual organizations (Sastry, et al., 1999).

In order to develop a comprehensive view of institutional change, it has been necessary to augment traditional institutional theory with insights from stakeholder and organizational learning theories. In synthesizing these theories, this dissertation has made contributions to each of them separately in addition to some overall contributions.

6.2. Contributions of the Dissertation

Each of the three major theories used in this dissertation provides a unique focus which illuminates one piece of the puzzle that is institutional change. By integrating aspects of the three theories, this dissertation has gone further toward illuminating larger sections of the puzzle, from which, it is hoped, a view of the whole can begin to take shape. The analysis presented here provides new insights for each of the theories separately, and then more broadly, has shed light on the phenomenon of institutional change itself. The contributions of this study in each of these areas are now reviewed.

6.2.1. Contributions to Institutional Theory

A number of authors have suggested that institutional theory does not deal well with change (see, e.g., Barley & Tolbert, 1997; Brint & Karabel, 1991; DiMaggio & Powell, 1991; Hirsch, 1997; Hirsch & Lounsbury, 1997; Hoffman, 1999). This criticism is becoming less valid as the body of literature on institutional change grows (e.g., note the 2002 special issue of the *Academy of Management Journal* on Institutional Change edited by Dacin, et al., 2002). However, some of the traditional foci of institutional theory are impediments to the study of institutional change. For example, many studies in institutional theory treat the field as unified and consistent. In this study, the organizational field was in flux, and it consisted of distinct, multiple and often conflicting pressures. Other studies acknowledge changes in the organizational field (see, e.g., Hoffman, 1999), but focus only on the field level of analysis. While field reconfigurations are an important part of institutional change, a focus on the field alone misses the action associated with organizational-level institutional entrepreneurship, as well as the intra-organizational dynamics associated with the individuals who develop the ideas for change and champion them. Institutional theory generally downplays or fails to address the role of individuals (Kraatz & Moore, 2002), though it is recognized that institutional beliefs are carried in the minds of individuals (Scott, 1995) and some scholars have asserted that individuals are instrumental in processes of institutional change (e.g., Beckert, 1999; Kraatz & Moore, 2002). North (1996) claimed that "the most fundamental long run source of [institutional] change is learning by individuals and entrepreneurs of organizations" (1996: 346).

Another issue concerns the degree of agency attributed to institutional actors. The cognitive, taken-for-granted focus of new institutional theory is most suitable for understanding stable and strong institutional environments, but leaves much to be desired for the study of

institutional change. The fact that institutions do change radically suggests that at least some actors, some of the time, are able to reflect critically on institutions, and deliberately act in ways contrary to them. A related point is that new institutional theory does not easily address the use of power, since power needs agency for exercise. Old institutional theory (Selznick, 1957) and neo-institutional theory approaches (e.g., Greenwood & Hinings, 1996) have incorporated power, but this construct remains underutilized in most institutional theory studies (see Lawrence, Winn & Jennings, 2001 for an exception).

This dissertation attempted to address these issues. The multiplicity of pressures in the organizational field was explicitly addressed, and the relative importance of these pressures was identified. The analysis considered individuals, organizations and the field. Changes in the broader external environment and the organizational field were related to changes at the institutionally entrepreneurial firm, including changes in individuals and sub-units. The processes by which individuals and groups learned, changed their interpretations, gained power and diffused new interpretations in the organization to create institutional change were described, as were the processes by which stakeholders in the organizational field gained power and legitimacy, and changed the interpretations and actions of others in the field. Institutional constraints and pressures for conformity were an essential part of the context, but pressures for change also existed, and some institutional actors were able to reflect on institutions and actively lobby for change.

The findings in this study were generated inductively via grounded theory, but were also integrated with existing literature on institutional change, and supplemented by organizational learning and stakeholder theory literatures. A comprehensive set of determinants and processes of institutional change was advanced. Specific contributions are reprised, grouped into those that

focus on the interface between the institutionally entrepreneurial firm and its environment (field level), and on the internal learning processes of the institutional entrepreneur (intra-organizational level).

6.2.1.1. Field Level

The organizational field studied in this dissertation was in a state of flux throughout the study period. As a result, issues surfaced that would not have been prominent in a more stable field. These included issues of attention, relational patterns, meanings, field configurations and changes in power and legitimacy.

Attention. When an organizational field includes multiple, conflicting pressures, it is not possible for an organization to conform to all of them. Some pressures are more important than others. In an uncertain, unstable field, attention matters significantly since what the firm attends to determines what it will respond to.

Oliver (1991) used resource dependence theory to argue that the power of a field member determines whether or not an organization will attend to its pressures, while stakeholder theory suggested that power, urgency and legitimacy determine the salience of stakeholders (Mitchell, et al., 1997). In this study, it was found that the characteristics of the influence attempt are also important determinants of a target firm's attention to an influence attempt. Strong influence attempts (identified as persistent, distinctive, of high magnitude and/or proximate) were noticed, whether or not they came from powerful or legitimate stakeholders. The salience of a stakeholder was also affected by its prior influence attempts. Also, the salience of each influence attempt was affected by the existence of other pressures in the context.

Field membership, relational patterns, interpretations, and stakeholder salience. Field membership in the BC forestry context changed in response to changes in social values. New field members arrived with new interpretations and upset existing field configurations. Although they often had low stakeholder salience to begin with, new field members used relational patterns to increase their salience. Relational patterns changed significantly during the study as coalitions were formed and severed and indirect influence chains were constructed, changing field configurations. Through these changes in relational patterns, new meanings diffused to stakeholders from their partners.

In order to activate other stakeholders, environmentalists and MB made meaning for these stakeholders and re-constructed their positions in terms that would appeal to these stakeholders. Environmentalists were generally more successful at meaning making than MB, and as a result, they activated more stakeholders and gained the benefits of their power and legitimacy through coalitions and indirect influence chains. In this way, meaning making caused changes in relational patterns. However, the reverse was also true: when organizations interacted with each other in solution-focused (instead of conflict-focused) processes, their interpretations diffused to each other – each gained a better understanding of the other(s)' perspective, and sometimes they made meaning together, coming up with innovative ideas. For example, when MB and the Nuu-Chah-Nulth bands began discussions (together with environmentalists), they came up with the idea to develop an eco-forestry demonstration project as a way to keep all parties happy in Clayoquot Sound. Understanding of environmentalists' perspectives diffused to MB staff members through these negotiations, and there is some evidence that environmentalists also came to understand MB's business needs. Meanings are a component of institutions, but they also shape which institutions and institutional pressures are

heeded. Meanings have been understudied in institutional theory (Zilber, 2002), and this research provides examples of how meanings are involved in the process of institutional change.

When field configurations are in flux, the multiplicity of demand is generally higher than in more stable organizational fields, however, in this study, we saw that multiplicity is, to some extent, an enacted variable, rather than simply a field level, exterior variable. Managers' perceptions of the multiplicity of demand depend on their attention to various stakeholders *and* on their actions that may push other stakeholders into or out of the field. MB was able to manipulate its own multiplicity to some extent by deciding which ties to focus on. For example, by cutting off ties to the Forest Alliance and deliberately not focusing on the industry, MB was able to ignore pressures for institutional conformity and focus on pressures for institutional change. In some cases, the multiplicity of dmand is enacted indirectly, i.e. when an actor purposefully raises the multiplicity of demand for other actors. For example, MB raised the multiplicity the government faced by generating counterpressure among other stakeholders against environmentalists. The tactic worked, but had the effect of paralyzing the government, since it, as a policy broker, was less able to manipulate multiplicity. Moreover, the tactic of activating new stakeholders increased the multiplicity of demand for MB itself in future interactions, notably when these other stakeholders protested the CFCI. MB's prior relationships wih these stakeholders made it difficult for MB to ignore their claims.

In a field in flux, interconnectedness is a less important concept than interconnections (or ties, to use an established network theory concept). In a stable field, interconnectedness provides some explanatory power as a field level variable.[64] However, in a field in flux, relational patterns change, and it is the shifting of relational patterns (establishment, strengthening and severance of

ties) that leads to shifts in meanings/interpretations, and to changes in power and legitimacy levels. Uncertainty is lowered when multiplicity is reduced (because of greater attentional focus and the severing of relational ties), or when newly activated stakeholders ally with the firm (essentially echoing the firm's demands) to create counterpressure against institutional pressures. However,uncertainty may also be indirectly increased when the multiplicity of demand increases among powerful and legitimate stakeholders, as it becomes harder for the organization to choose whose demands it will meet.

Power and Legitimacy. This study emphasized that power and legitimacy change over time, and that strategic actions by stakeholder groups can change the power and legitimacy attributed to them by other actors. In this study, environmentalists entered the field with very little power and legitimacy, yet soon changed their attributes by virtue of their actions and their relationships. MB's own legitimacy fell throughout most of the study period, as environmentalists framed the firm's actions as illegitimate. It then surged upwards (among societal observers), after the company announced the phaseout of clearcutting.

Prior work on legitimacy building (e.g., Aldrich & Fiol, 1994; Greenwood, et al., 2002; Suchman, 1995) has suggested that justifications for institutional change must be constructed to be consistent with existing institutional norms. In this study, environmentalists' arguments for institutional change were counter to institutional norms, provoking moral indignation among adherents to the norms. Eventually, however, institutional adherents came to accept the arguments for change and former institutions became deinstitutionalized.

In the Greenwood, et al. (2002) study, theorization processes (which included identification of a general organizational failing, justification of an abstract solution, and

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[64] However, there is likely to be some variation in its usefulness in explaining any given firm's responses since it

development of moral and/or pragmatic legitimacy for the new solution) took two decades. In the BC forestry context, theorization happened very quickly in 1998-1999 as MB convinced other field members to work towards a joint solution. The process which took significant time, however, was deinstitutionalization, which involved both the gradual emergence and ascendance of new actors and institutional entrepreneurship (Greenwood, et al., 2002). In a highly conflicted field, deinstitutionalization may take significant time, as institutional adherents feel that they must defend themselves against normative attacks by new actors. The attacks can lead institutional adherents to fall into a legitimacy trap.

6.2.1.2. Intra-Organizational Level

At the intra-organizational level, this study highlighted the influence of individuals who are reflexive toward institutions and thus able to see beyond them to new possibilities. Reflexiveness was stimulated by involvement in relationships with others that held different views, and by personal characteristics. The processes by which these reflexive individuals moved their backstage learning and divergent interpretations through groups to institutionalization on the frontstage of the organization were also described. Individuals needed some power or autonomy to engage in experimentation, and they needed skills in meaning-making to diffuse their interpretations to others. Individuals prompted occasions for joint sensemaking, but the involvement of groups in forging new interpretations and solutions was essential. Power was necessary to institutionalize the learning onto the frontstage of the organization.

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will depend on how a particular firm is interconnected.

While organizational learning theory was used as the primary literature to explain how institutional entrepreneurship emerged at the intra-organizational level, an integration of insights from institutional theory and organizational learning theory was conducted in Chapter 5. The two theories complement each other well: institutional theory provides a stronger emphasis on external pressures from the field and the broader environment, while organizational learning puts flesh on the bones of changes at the intra-organizational level.

6.2.1.3. Overall Contributions to Institutional Change Theory

The model presented in Chapter 3 integrates stakeholder, attentional and institutional theory determinants to highlight how any individual influence attempt is likely to be responded to. A set of likely responses to influence attempts was presented in Table 3.11; it was supplemented by a set of propositions that condition these responses, which cover the effects of some additional variables.

In Chapter 5, a comprehensive set of determinants and processes of institutional change at various levels of analysis was presented. This set was developed through grounded theory and an extensive comparison with the institutional literature. Many of the determinants themselves change over time. Additionally, Chapter 5 included a discussion of the interrelationships among determinants and institutional processes over time. The strength of this study is that it explains in detail, through multiple levels of analysis, and with a fine-grained longitudinal focus, how determinants identified in previous studies work and how they affect each other over time. Strategic actions, power plays, coalition formation and reconfigurations of the field through changes in relational patterns and through the activation of new stakeholders are highlighted. In

addition, changes in interpretations and learning that come through changes in relational patterns are discussed.

There is a strong tie to existing institutional literature, which is variously supported, challenged and extended by the findings of this study. The study extends and validates a recent model of stages of institutional change presented by Greenwood, Suddaby and Hinings (2002). Their model was developed in a relatively stable organizational field characterized by low conflict. The current study extends the model by applying it within a field that features high normative conflict.

In Chapter 5, the focus was on intraorganizational institutional change and institutional entrepreneurship. Multilevel determinants of change were identified, and a learning lens illuminated processes of learning and power that affected institutional change. Using this learning lens enabled the focus on intraorganizational change, which worked its way through individual and group levels prior to affecting the entire organization. This analysis provided a more detailed understanding of change processes than institutional theory usually presents.

While the major focus of this dissertation was to explicate determinants and processes of institutional change, along the way, the addition and synthesis of stakeholder and organizational learning theories also necessitated some refinements and extensions to these two theories.

6.2.2. Contributions to Stakeholder Theory

The integration of stakeholder theory with institutional and attentional theories in this study enabled some contributions to stakeholder theory. First, the very useful model of stakeholder salience presented by Mitchell, et al., (1997) is extended and refined. The original model focuses on which stakeholders a firm is likely to *scan* based on the stakeholders' levels of

power, urgency and legitimacy. However, the model does not address the connection between a stakeholder's *state* levels of power, urgency and legitimacy (or stakeholder attributes) and that stakeholder's actions to influence the organization (*influence attempts*). I argue that characteristics of the stakeholder's influence attempt will themselves contribute to the salience of the stakeholder and the salience of its claim. Furthermore, stakeholders' influence attempts will have feedback effects on the state levels of power, urgency and legitimacy that the focal organization perceives. For example, a stakeholder that is perceived to have relatively low power and legitimacy but high urgency can issue a strong influence attempt on a focal organization, perhaps gaining the support or assistance of others in the organizational field. As a result of the strong influence attempt, the organization may reinterpret the stakeholder as being more powerful or legitimate than before. Even stakeholders with low power and legitimacy may thus be able to influence a firm, depending upon the actions that they take. Furthermore, stakeholders are able to influence managers' perceptions of their salience over time via their actions.

The Mitchell, et al., (1997) model also provides no link to the organization's likely *response* to the stakeholder, since it focuses only on the salience of different stakeholders to the firm. Integrating Oliver's (1991) work on strategic responses to institutional pressures, insights from the environmental literature, as well as some cognition-based work on attention to stimuli, this study connects a stakeholder's salience and its influence attempts to the likely responses of the organization to those influence attempts. These rlationships are modeled in Chapter 3, Figure 3.3, and specific predictions are advanced in Table 3.11, and in propositions 1 through 7.

Stakeholder theory as a whole has considered stakeholders mostly in bilateral relationships with the target firm, without a sense of the interaction among stakeholders and the

conflicting pressures that a firm may face (see Frooman, 1999, Rowley, 1997 and Winn, 2001 for exceptions). In this study, it became clear that stakeholders worked with or through other stakeholders to gain influence over their target organization. Stakeholders formed coalitions with other stakeholders in order to increase their power and legitimacy. They also used indirect channels to influence organizations, appealing to more powerful and legitimate stakeholders (from the perspective of the target firm) to influence a target organization. Sometimes more than one channel member was required to influence a target organization; for example the originating stakeholder may have influenced another organization, which influenced another organization, which then influenced the target firm. The originating stakeholder activated other stakeholders to urgency by changing interpretations of issues to make them critical to the other stakeholder. The originating stakeholder could appeal to the other stakeholder's roles (e.g., for the government or media), values or interests (sometimes using coercion).

Over time, a stakeholder that was able to activate other stakeholders, forming coalitions or using indirect influence, had some of the power and legitimacy of the other stakeholders reflected on to it, such that the stakeholder would no longer need their explicit support in future interactions. It was primarily through these changes in relational patterns that stakeholders were able to build power and legitimacy vis-a-vis a focal organization over time. Successful influence chains shortened as power and legitimacy increased until the stakeholder was able to influence the target firm directly, often by establishing a direct relationship with the target firm at that point.

Additions to stakeholder theory thus focus on the areas of 1) considering stakeholders' actions rather than just their attributes, 2) predicting responses to stakeholders and their actions, 3) considering multilateral stakeholder relations, including stakeholder coalitions and indirect

influence chains, and 4) considering the processes by which power and legitimacy are built by stakeholders over time.

6.2.3. Contributions to Organizational Learning Theory

As with institutional theory, contributions to organizational learning centered on the consideration of both *processes* and *determinants* of learning. The Crossan, et al. (1999) framework of organizational learning processes was supported empirically and extended with the addition of two learning processes: the more action-based *attending* and *experimenting*. Attending processes were added at the individual level to reflect that individuals can learn not only through intuition, but also through attending to their environment. Individuals whose networks include stakeholders with views in conflict with the prevailing views in the organization are more likely to attend to divergent knowledge and to reflect critically upon existing institutions. Experimenting processes were added as complements to interpretation processes at the individual to group level: individuals and groups experiment with new interpretations and further interpret the results.

Determinants of learning processes were identified at each level of analysis, and these are new to the literature. These were compared to the determinants of institutional change at the institutionally entrepreneurial firm, as shown in Chapter 4. The sets of determinants complemented each other well, providing a useful synthesis of organizational learning and organization-level institutional change perspectives.

The focus on frontstage and backstage perspectives on organizational learning provide insight into revolutionary vs. evolutionary organizational change. While the change at MB appeared to be revolutionary on the frontstage, a closer analysis behind-the-scenes showed that

evolutionary learning was taking place on the backstage of the organization over a number of years. A shift in power was necessary to enable the backstage learning to debut on the frontstage. For organizational learning theory, this insight suggests that power is an important consideration that has not been sufficiently considered in the literature. Power endorses learning, and enables experimentation. It is also possible to speculate that, without the endorsement of the powerful, a good deal of the learning that takes place in an organization may never make it to the frontstage, particularly when those at the top are isolated from external pressures and remain locked in pathologies of learning such as the legitimacy trap. Careful attention to multilevel learning processes may increase the chances that learning will be utilized and learning pathologies avoided.

A change in leadership was an insufficient explanation for the institutional change that took place, however. Organizational learning and institutional change were in progress before the new leader took power. Institutional theory suggests that it is doubtful a change initiated by a leader alone would have been accepted so enthusiastically without prior backstage learning and the erosion of institutionalized interpretations. Backstage learning provided absorptive capacity (Cohen & Levinthal, 1990) to support the change. Thus, both power and sub-unit learning are important contributors to organizational learning.

A new pathology of learning was identified in this dissertation: a *legitimacy trap.* Organizations caught in a legitimacy trap are unable to absorb feedback from some stakeholders in the environment because they don't deem those stakeholders to be legitimate. Unless organization leaders remember that the organization's other stakeholders may have a different view of the 'illegitimate' stakeholder, however, the organization risks becoming blindsided to that stakeholder. As a result, the organization may become more vulnerable to the 'illegitimate'

stakeholder's use of indirect influence through forming coalitions with other, more established, stakeholders. Incorporating divergent stakeholder views into the organization's scanning and sensemaking mechanisms may ameliorate learning pathologies related to stakeholder response, and the incorporation of feedforward learning mechanisms into corporate response procedures may drive further exploration in specific areas, increasing overall organizational learning.

This dissertation thus synthesizes insights from institutional theory, stakeholder theory and organizational learning theory, contributing to each of them. The dissertation also makes contributions to the practice of management.

6.2.4. Contributions to Practice

Contributions to practice were associated with both stakeholder relations and organizational learning.

6.2.4.1. Stakeholder Relations

This research contributes to practice in the area of stakeholder relations by illuminating ways in which stakeholders that were previously of low salience can become important: through coalitions and indirect influence chains. The firm that is sensitive to these possibilities may be able to a) pre-empt such influence by working with its important stakeholders prior to and during any contact by other stakeholders seeking indirect influence or coalitions, or b) respond proactively to low salience stakeholders that may in future become high salience stakeholders. A firm that is being criticized by stakeholders of even low salience may want to develop relational ties to these stakeholders in order to better understand their perspectives. Care is warranted, however. In Selznick's (1949) classic tale of the Tennessee Valley Authority, including

potentially critical stakeholders on the board of the TVA had the effect of significantly constraining the organization's agenda. At MB, those with relational ties to critical stakeholders were isolated from the technical core, keeping MB relatively free of constraints while the organization learned. This isolation therefore had both functional and dysfunctional consequences: it kept the organization free of constraints, but arguably, delayed response to the pressures for too long.

An organization itself can build coalitions and indirect influence chains in order to support its status quo *or* build support for its preferred change. MB's activation of the Forest Alliance, unions and forest-dependent communities was an attempt to build counter-pressure for the status quo. This strategy carries a risk, however: once activated, stakeholders may continue to pressure for the status quo even when the activating organization would prefer a change. For example, when MB announced the phase out of clearcutting, and later began meeting with environmentalists through the CFCI, the Forest Alliance, unions and forest-dependent communities publicly criticized the company for its new position.

For any person or organization attempting to change an institutional environment, this research provides a number of examples of processes by which indirect influence chains and stakeholder coalitions were constructed. These processes can be used by either firms or their stakeholders.

6.2.4.2. Organizational Learning

This research also advances contributions to the managerial practice of organizational learning by identifying the ways in which organizations begin to overcome paradigmatic thinking in order to adapt to changing environments. The *legitimacy trap* identified here is a

pathology of response to external environment pressures. The facilitators and impediments of organizational learning identified in Chapter 5 can be strategically designed into a firm's learning processes in order to overcome response pathologies, increase learning potential and capitalize on the learning of organization members.

While this dissertation advances a number of contributions to both theory and practice, the research is subject to a number of limitations.

6.3. Limitations

This study has been exploratory in nature, aimed at developing and refining theory. It is subject to a number of limitations. First, it relies to some extent on retrospective accounts, which are likely to exhibit some biases (Golden, 1992). However, this limitation has been ameliorated considerably by the use of multiple respondents, multiple data sources, and by the availability of archival data and interview data from past studies. Rich archival data from newspaper accounts, stakeholder and company documents and prior academic accounts enabled the cross-checking of assessments and provided some assurance of validity. In addition, some interviews were conducted in 1996, and interviews were conducted of executives that left the company before dramatic change occurred in 1998, providing a better sampling of perspectives at the company before that time. Furthermore, the field continued to change during the data collection, allowing some in-process analysis of change.

Second, the study is situated in the British Columbia coastal forest industry in the context of pressures for sustainable forest practices. The industry is a declining one (though the worldwide appetite for fibre is increasing), but one that has had significant political prominence in the province. The field's criticality to British Columbia's economy and the ecological

significance of the rainforest mean that there are numerous stakeholders with conflicting views. The data are based in the responses of a single organization (MB), to multiple pressures in a single social context. The pressures have been intense and emotions have been high. These characteristics make the setting unique and may limit the study's generalizability. Starbuck (1993) suggested, however, that the study of exceptional phenomena can generate new insights, and that was the objective of this study.

At the same time, however, the focus of the study is on the determinants and processes of institutional change. These determinants and processes are sufficiently abstract to suggest that the study's findings may be more generally applied, although further research is required. While the subject matter of environmental issues contributed to the emotionality and value-basis of the conflict, an increasing number of firms are having to deal with pressures for sustainability specifically, and social advocacy issues generally, and these issues usually generate emotional, value-based conflict. As such, this study represents a view of how organizations, normatively expected to be guided by rationality, can come to understand and deal with claims that are not based on rational, profit-maximizing terms.

Third, qualitative studies are often criticized for being overly subject to the interpretations and pre-conceived notions of the investigators. While it can be argued that all research is subject to these influences, facets of this study ameliorate these concerns. Specifically, the multiple sources and types of data allow for triangulation. In addition, a narrative of the changes that took place at MB was given to a former senior manager at MB who was heavily involved in the change process. He verified that the key facts and ideas presented were consisted with his memory of events.

6.4. Directions for Future Research

This dissertation has followed institutional change through changes in the field, individual institutional entrepreneurship, organizational institutional change, to the beginning of the diffusion process, generating a list of processes and determinants of institutional change at each level. Static and dynamic models of responses to influence attempts and organizational learning have been developed. Further research is required in other settings to test these models and ascertain their limits. For example, this study added nuances to the framework presented by Greenwood, et al. (2002) because it was conducted in a contested organizational field, whereas their study was conducted in a stable field. This study featured pressures for change based on normative challenges to legitimacy, whereas the change noted in the Greenwood, et al. study was focused on instrumental gains. Another context might involve appeals for instrumental changes in a contested field, such as a field in which there is competition for technology standards development (e.g., Java, as described by Garud, Jain & Kumaraswamy, 2002, wireless standards, 56K modem standards, etc.). It is likely that processes of institutional change vary somewhat in such a setting. Research in such settings could add further to our understanding of institutional change.

A key part of institutional change involved meaning making or 'sensegiving' (Gioia & Chittipeddi, 1991; Maitlis, 2002) for constituents. Emergent stakeholders made meaning for other stakeholders to gain their cooperation in pressuring MB. Institutional entrepreneurs at MB made meaning for other organization members in order to gain support for (and ultimately institutionalize) a change in forest practices. Meaning making in this context usually involved the use of metaphors and often highly evocative language to reframe something which had been accepted or taken for granted. The new frame highlighted previously unrecognized aspects of

the situation and motivated new ways of acting. While it was beyond the scope of this study to examine meaning making in more depth, it remains an interesting area for further research. A discursive analysis of the framing used by environmental groups and companies to package their issues, examining what worked and what didn't work, and why certain claims and counterclaims were or were not believed, would be of interest.

Another area of interest for future study would be to use network analysis to examine the configuration of organizational fields over time. In this context, it would be possible to examine the entry, exit, extent of involvement and relational patterns of various stakeholders in the organizational field over time based on an analysis of the extensive newspaper coverage on the issue. Questions such as a) what leads a stakeholder to enter (or exit) an organizational field? b) what determines changes in network centrality over time? c) how do changes in relational patterns affect the relative centrality of stakeholders? Network analysis could, in a more quantitative way, test some of the findings identified in this study. With a dataset such as this one, insights from network analysis could be complemented by the qualitative understanding of the significant events and interpretations in the field.

This research provided some early conclusions about the effects of increasing multiplicity of demand in the organizational field on field members with different roles. Recall that MB was able to reduce the multiplicity it faced in 1998 by deliberately severing ties to some field members. However, the government, as a policy broker, was unable to sever ties at will, and faced *institutional gridlock* as the multiplicity of demand in the environment expanded. When the forest companies effectively took on the policy broker role through the CFCI[65], they were also unable to sever ties, and had to attend to stakeholders who were upset with the CFCI.

Multiplicity of demand rises in a field in flux by definition. Further research on the impacts of demand multiplicity on field members of various roles may yield some interesting insights.

In this study, there was evidence of stakeholder backlash among previously privileged stakeholders who would lose some privileges in the wake of institutional change. Examples include criticism from the Forest Alliance when MB changed its forest practices, and protests by unions and forest-dependent communities when the CFCI was revealed. Given that it is possible to predict which stakeholders will lose privileges in the wake of institutional change, it should also be possible to put plans in place to prepare for objections before they occur. Future research could investigate if and how organizations involved in institutional entrepreneurship plan for stakeholder backlash.

Another area in need of further development is a process-based analysis of institutional diffusion, using a learning lens. Haunschild and Miner (1997) have suggested that interorganizational learning is very limited, and yet we witness institutional diffusion. In the BC coastal forestry context, diffusion and interorganizational learning were active, strategic and political processes, as MB attempted to solve its continuing market access problems by developing a coordinated solution among the key players. Such coordinated and strategic action is also likely in technology standards diffusion. However, there are also many instances where we could imagine that the institutionally entrepreneurial firm is anxious to protect its innovation as a source of competitive advantage. A fine-grained, process-based analysis of interorganizational learning in different contexts would add significant value to our understanding of institutional diffusion.

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[65] By declaring a moratorium on cutting in pristine valleys on the north and central coast of BC while negotiating with environmentalists.

Overall, institutional change represents a rich area for further investigation with many contributions to be made.

6.5. Conclusions

This dissertation has concentrated on illuminating the processes and determinants of institutional change. While much work remains, this study has contributed to our understanding of institutional change using an exploratory and fine-grained approach. Invoking theoretical concepts from institutional theory, stakeholder theory and organizational learning, the analysis here incorporates understanding of strategic actions, institutional constraints, political considerations and learning processes and pathologies to develop a comprehensive, multilevel model of the determinants and processes of institutional change.

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APPENDIX 1A:

INTERVIEW PROTOCOL

CONFIDENTIAL

Company: _____ Respondent: _____

Years with Company: _____ Years in Position: _____

Interviewers: Date:

Re: Stakeholders & Objectives (1):

1. What stakeholders do you consider as important to your firm?
   Who are they and how important are they? (Scale I)

2. What, in your opinion, are the primary objectives of Your Company today?

3. Are there primary objectives of your main stakeholders that are in conflict with the objectives of the company today? (How did you derive your stakeholders' objectives? What type of communication do you have with different groups?)

Re: Stakeholders & Objectives (2):

4. Over the last few years, what have been the major strategic decisions and policy shifts in Your Company?

Taking decision "_____",

5. If you think back to *before the decision (CC?),* what were the objectives of Your Company at that point in time?

6. Also before the decision (CC?), what were the key pressures from stakeholders at that point in time?

Re: Stakeholders & Objectives (3):

7. What specifically led to the decision to phase out clear-cutting? (details of plan) What were the internal or external pressures? Did you consider your stakeholders' objectives?

8. What were the alternatives to this decision? Why was the decision to do "x" chosen? [maintain status quo/halt clear-cutting/halt cutting old growth]

9. Who actually *made* the decision? Who brought up the idea in the first place? Did anyone champion it? Was there resistance to the decision (from whom? what kind?)

10. How effective do you think the decision will be in meeting your key objectives? (What new concerns do you expect the decision to introduce? How will different stakeholders likely respond to these?)

11. What time frame do you place on your decision to do "x" (short-term, long-term or permanent change in direction)? Is top management committed to follow through?

12. How has the decision affected your company's relation to important stakeholders? To other industry members?

13. What are the key pressures from the most important stakeholders today? Has the importance of these stakeholders changed since the decision to do "x"?

Re: Environmental Issues (1):

14. What are the key environmental issues you have to deal with now? Which is most important?

15. Where did the pressures come from to deal with this issue (internal and external)? In your opinion, how did this issue make it on to the corporate agenda? (Who noticed it? Who made it an issue?).

16. Were there any political struggles around this issue? Is there disagreement among different units or levels within the company about environmental issues? [units] Does the company do anything to ensure that everybody pulls in the same direction? [training, objective setting, lay-offs]

17. Is there anyone who is generally against dealing with environmental issues or stands in the way? (specific/generally: who ignores? does not deal with issue? who resists actively?)

18. What other important environmental issues did not make it on the corporate agenda? Should these issues have been dealt with?

19. Has your own perspective changed regarding environmental issues? [tone!] How did that happen?

20. What is your personal perspective (on a scale of 1-10, with 1 being "don't care" and 10 being a radical environmentalist)?

Re: Leadership(1):

21. What is the position of the board on specific strategic and environmental issues? Is the board generally in agreement regarding environmental issues? Is it polarized depending on the issue being addressed? Can you give examples?

22. How has the changeover in CEOs affected you? Was it expected?

23. What was the general expectation among top managers about Tom Stephens? What were you expecting that he might do for MB?

24. Were there forces/events pressuring for a CEO like him? How did the power structure change as a result of this change in leadership?

25. What changes have you seen so far since TS took over?

26. What has changed since Weyerhaeuser announced the intended purchase of MB? What will change? How will this affect you?

27. Considering all business issues .... Have you felt that the firm was in a crisis during the last 3-4 years? Crisis is an event that hits unexpectedly and changes things dramatically in the company.

28. How was the crisis perceived inside the company? Was there agreement within the company about what the crisis was and how to handle it?

29. How did the crisis change the power structure at Your Company?

30. Did other issues become forgotten or sidetracked because of the crisis?

31. Did other firms in the forest industry in BC face similar situations?

32. Long-term crisis: Are there major long-term issues troubling Your Company right now? Are any expected in the near future that will have major impacts on Your Company's way of doing business?

Re: Certification

33. How familiar are you or how involved have you been with the issue of certification?

34. What is your company's certification strategy and why? [Types: 1 CSA, 2. FSC sustainable forest certification, and 3. ISO 14000 series].

35. What purposes does each of them serve? What are their strengths and weaknesses/ benefits and costs?

36. Are there conflicts among different certification schemes?

37. How did MB become involved with each? Please describe the decision process. Were there differing views internally about each scheme?

Re: Wrap up:

Where does MB sit on the softwood lumber agreement?
What have we missed?
Any comments on our interview?
What's ahead for Your Company?

APPENDIX 1B:

QUESTIONS FROM THE INTERVIEW PROTOCOL THAT ADDRESS

INSTITUTIONAL CHANGE ISSUES

7. What specifically led to the decision to phase out clear-cutting? (details of plan) What were the internal or external pressures? Did you consider your stakeholders' objectives?

9. What were the alternatives to this decision? Why was the decision to do "x" chosen? [maintain status quo/halt clear-cutting/halt cutting old growth]

10. Who actually *made* the decision? Who brought up the idea in the first place? Did anyone champion it? Was there resistance to the decision (from whom? what kind?)

11. How effective do you think the decision will be in meeting your key objectives? (What new concerns do you expect the decision to introduce? How will different stakeholders likely respond to these?)

12. What time frame do you place on your decision to do "x" (short-term, long-term or permanent change in direction)? Is top management committed to follow through?

13. How has the decision affected your company's relation to important stakeholders? To other industry members?

38. Where did the pressures come from to deal with this issue (internal and external)? In your opinion, how did this issue make it on to the corporate agenda? (Who noticed it? Who made it an issue?).

39. Were there any political struggles around this issue? Is there disagreement among different units or levels within the company about environmental issues? [units] Does the company do anything to ensure that everybody pulls in the same direction? [training, objective setting, lay-offs]

40. Is there anyone who is generally against dealing with environmental issues or stands in the way? (specific/generally: who ignores? does not deal with issue? who resists actively?)

41. What other important environmental issues did not make it on the corporate agenda? Should these issues have been dealt with?

42. Has your own perspective changed regarding environmental issues? [tone!] How did that happen?

43. What is your personal perspective (on a scale of 1-10, with 1 being "don't care" and 10 being

a radical environmentalist)?

Re: Leadership(1):

44. What is the position of the board on specific strategic and environmental issues? Is the board generally in agreement regarding environmental issues? Is it polarized depending on the issue being addressed? Can you give examples?

45. How has the changeover in CEOs affected you? Was it expected?

46. What was the general expectation among top managers about Tom Stephens? What were you expecting that he might do for MB?

47. Were there forces/events pressuring for a CEO like him? How did the power structure change as a result of this change in leadership?

48. What changes have you seen so far since TS took over?

49. Considering all business issues .... Have you felt that the firm was in a crisis during the last 3-4 years? Crisis is an event that hits unexpectedly and changes things dramatically in the company.

50. How was the crisis perceived inside the company? Was there agreement within the company about what the crisis was and how to handle it?

51. How did the crisis change the power structure at Your Company?

52. Did other issues become forgotten or sidetracked because of the crisis?

53. Did other firms in the forest industry in BC face similar situations?

54. Long-term crisis: Are there major long-term issues troubling Your Company right now? Are any expected in the near future that will have major impacts on Your Company's way of doing business?

In addition there were numerous probes, specific questions for specific interviewees, and interviewees were encouraged to tell stories that were particularly salient to them around the issue of phasing out clearcutting.

APPENDIX 2:

FIELD CHRONOLOGY

This appendix presents a field level narrative for the war of the woods. To establish the context for the story of the struggle for sustainable forestry in BC, I first give an overview of the forest industry on the coast of BC. Because history has an important influence on current circumstances through path dependencies, I then describe the historical development of the forest's social context up to the present day, including a description of the principal organizations, and the economic, physical and social aspects of their interactions.

AN OVERVIEW OF THE B.C. COASTAL FOREST INDUSTRY

The business of forestry has been the largest industry in the province of British Columbia for many years. It has been a major contributor to provincial government coffers and the social and economic fabric of British Columbia, touching all parts of the province. The forest industry accounted for 50% of all BC exports and employed 275,000 people in BC in 1998. Most of the large forest firms have head offices in Vancouver, employing thousands of urban residents. Outside of the urban centre, the forest companies' influence is even stronger, as many of the small and often remote communities in British Columbia are dependent on the forest industry for their very survival. The forest companies employ the largest proportion of the workforce in these communities, and the wages they pay support the local trade. Forest companies' tax contributions and philanthropy pay for schools, build recreational facilities and support community projects.

Unlike in other countries such as the U.S. and Sweden where forests are usually privately held, 95% of the forest land in BC (about 60 million hectares) is owned by the provincial government. Forest companies are granted long term timber licenses by the provincial government to cut and manage particular plots of land, paying stumpage fees[66], and adhering to the government's regulations regarding harvesting practices, replanting, the number of trees that are to be cut, the protection of stream and habitat areas, etc. Thus the BC government has been intimately involved in forestry since it formed the BC Forest Service in 1906. According to one industry member, "*In the pioneer stage of the forest industry (post WWII) it was really a cash cow and a great way to get infrastructure into a great big province with not a big population.*"

Government forest policies have been used regularly and extensively for both political and social purposes, such as maintaining stable employment in forest dependent communities, generating high wage jobs for disadvantaged groups, currying favour with political supporters, and announcing special projects or investments in key ridings at election time. Some of these policies have included regulations stipulating how much timber forest companies are both allowed and required to cut, the linking of timber cutting rights to the operation of sawmills in nearby locations, the reservation of a certain proportion of timber rights for small community foresters, the restriction of exports of raw logs to stimulate the value-added industry, and the announcement of special reharvesting projects to provide employment for natives and unemployed loggers. Some observers have even suggested that stumpage fees have been set at a relatively low level[67] to enable companies to provide higher wages to their unionized employees.

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[66] A stumpage fee is the price charged by the government for the right to harvest timber from publicly owned forest land.

[67] US interests argue that the low rate of these stumpage fees is an unfair subsidy. The US/Canadian Softwood Lumber Agreement restricts the volume of softwood lumber imports from Canada into the US based on these

At a mean annual wage and benefit package of over $61,000 CDN in 1995, BC forest workers have been among the highest paid forest workers in the world (Stanbury, 2000).

Coastal BC timber is particularly durable relative to wood from other locations around the world. The majority of timber cut on the coast of BC is original primary forest. While there are numerous stands of second growth timber in BC, these stands have, in general, not reached maturity, requiring approximately an 80-year growth cycle. Few harvestable primary forests remain elsewhere in the world, and almost none in the US and Western Europe.

The strength of BC wood fibre has meant there has usually been a ready market for BC timber and pulp. Both markets (timber and pulp) tend to be cyclical, however. Government requirements for forest companies to maintain stable harvest levels prevent the companies from taking advantage of price fluctuations by harvesting less when prices are low and more when prices are high. As a result, BC forest companies have become accustomed to regular boom and bust cycles in their earnings. The ready markets and inability to adjust production may also explain why BC forest companies traditionally have not been particularly customer-driven, focusing instead on the logging itself.

Most of BC's wood is exported. In 1998, exports accounted for 88.3% of the $15 billion forest product market, and forest products accounted for 51.2% of BC's total exports.[68] Major importers of BC Coastal forest products (both lumber and pulp and paper) have been Japan and other parts of Asia, Europe and the US. Traditionally, coastal firms have emphasized the Japanese market. Through the period 1995-2001, coastal companies have been unable to sell very much to the US due to a lack of quota under the Canada/US Softwood Lumber Agreement.

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claims. The most recent agreement (signed in 1995), expired in 2001, after which the US imposed countervailing duties and anti-dumping penalties on Canadian softwood lumber imports.

[68] Stanbury, 2000: 13.

Forest companies have been experiencing increasing pressure to become more environmentally sensitive since the 1970s. The pressure has come in many forms, and has been focused both on the pulp side of the business (in terms of pulp mill effluent issues), and on the forestry side (focusing on preservation of old growth eco-systems and the use of more environmentally sensitive logging practices). I focus the discussion on the forestry side and provide an historical overview of the conflict between pro- and anti-logging forces, which has come to be known as the war of the woods.

FOREST INDUSTRY CHRONOLOGY

The Birth of an Industry – Pre-1900

Three hundred years ago, the trees were plentiful and the people were few. Aboriginals from numerous tribes lived along the coast of BC, finding sustenance from the sea and the land, and using trees to fashion canoes, weapons, shelter, clothing, cooking implements and totems. The trees were an integral part of their social and economic system, and were a respected part of the natural system.

As European settlers began to arrive in BC, the relationship between people and trees changed. The forests were a "source of fear" for the early settlers, "and were seen as ugly compared to fields of crops" (Webster, 1996: 65). More and more settlers arrived, clearing the land around the populated places to make room for people and agriculture. First Nations' way of life was significantly changed as the settlers became dominant. Still, trees were plentiful, and they were used for building settlers' homes.

Drushka (Dec. 28, 1999: B9) describes the fledgling forest industry at the turn of the century:

"Until the late 1800s, the prevalent public and political view of forests was that they were a dangerous and even malevolent impediment to civilization, full of wild animals, hostile savages and evil spirits. As a resource, they were seen as a one-shot deal like a mineral deposit, to be used, then gone forever.

The primary social function of the forest industry was to liquidate the vast forests that covered most of the continent, after which the farmers could move in and transform the landscape into a pastoral paradise. Any land not suitable for agriculture could be abandoned.

About a century ago, a new idea emerged – that of the permanent forest. It was conceived as a forest maintained forever, providing timber and other benefits to a growing population."

The Economic Development of the Province – 1900-1979

A Royal Commission was established that led to the creation of a provincial forest service. H.R. MacMillan was hired as chief forester in 1906[69]. To the government of BC, the trees represented a vehicle for the economic development of the province: jobs for BC residents[70], the economic base of many communities, and the primary contributor to provincial

[69] Later, his company (along with 2 other firms with which it merged), became MacMillan Bloedel, the province's largest lumber company.

[70] Since 1906, B.C. companies have been required to create manufacturing employment as a condition of being granted access to Crown timber (Drushka, 1999).

government coffers through taxes and timber fees. Trees and forests became valued primarily for their economic currency.

One hundred years ago, forest resources seemed limitless. People's actions did not have a major effect on the natural environment, since the land base was large and the population was small. The government encouraged logging to further the development of the province.

The social environment for the forest industry at that time consisted of the government (the landlord), communities (who influenced the landlord, supplied employees and co-existed with forest companies), the forest companies themselves and the employees of the companies. First Nation peoples were not part of the social system. They were disenfranchised within the province such that, despite the fact that they often constituted the majority of residents in many of the areas where logging took place, they made up only a very small proportion of forest workers. Aboriginal rights to the forest land base were not considered when forest allocation decisions were made.

The government and the industry often worked in tandem, since their goals were aligned: cut trees for their economic value. Communities and employees often shared aligned goals with forest companies as well, since increased production meant more jobs, more tax revenues, and community viability. Although there were points of contention among all of the groups as to how the rents from forestry should be divided, there was little suggestion that logging itself was undesirable.

Even customers of the forest companies were at the periphery of the forest companies' attention span: as sellers of commodity products, the companies focused on production, and sold to the open market. Competitors in the traditional sense also did not require much attention: everyone sold the commodity at whatever prices the market would bear. Because government

set the limits on what could be produced, company attention was fixed on the government itself. The industry's relationship with the government was, for the most part, amicable and complementary, as they collaborated in liquidating the old growth forests. Historically, then, the forest industry faced little opposition among its stakeholders, and, beyond the government, had little need to pay much attention to them.

Companies within the province had at least some basis for focusing on each other in a cooperative way: they were all subject to any policy actions the government would take. Indeed, two of the first industry consortia in Canada were formed in British Columbia in the forest and paper industries: PAPRICAN in 1914 and Forintek in 1917 (Zietsma, Nakamura & Vertinsky, 1997).

The Rise of Conservation as an Issue

In the late 1930s and 1940s, what was once seen as limitless began to look more tenuous. Decades of intensive logging without replanting had left large areas that did not regenerate as had been predicted. The idea that some day, without intervention for conservation the trees would be gone, had made its way into the consciousness of the BC people, and by reflection, the government. Government instituted policies for sustained yield (Wilson, 1998). Wilson wrote:

> "Sustained yield was premised on the notion that the old growth forests were a wasting rotting asset. It held out a vision of these forests being converted into 'tree farm' plantations which, through scientific management, would produce rich crops of timber in perpetuity." (1998: xv).

He called this the "liquidation-conversion" project, and suggested that government and industry remained committed to this view throughout the coming decades.

Replanting became a requirement for companies, but little else changed. Companies first resisted, then complied with the new requirements, and soon the requirements became a normal part of doing business. The changes were framed economically: replanting would result in faster re-growth, ensuring more timber would be available for cutting in the future.

The Rise of Environmentalism

Social changes arose in the 1960s and 1970s that had an impact on how British Columbians viewed the forests. Environmentalism had started to be an issue that resonated with people all over North America, as environmental disasters such as Love Canal and Three Mile Island became public, and species became extinct or endangered (Hoffman, 1997). Groups whose primary emphasis was environmental advocacy began to appear in the late 1960s and through the 1970s and 1980s (Wilson, 1998).[71] The Sierra Club of BC commenced in 1969, while in 1971, Patrick Moore and partners founded Greenpeace in Vancouver. The latter organization was to become a major multinational non-governmental organization (NGO). The Valhalla Wilderness Society was formed in 1978, and the Western Canada Wilderness Committee (WCWC) was formed in 1979. Each of these groups was to become a major player in the BC forestry conflict. Regionally-based environmental groups began to form as well. The Friends of Clayoquot Sound (FOCS) organization was founded in 1979 to focus on preserving the Clayoquot Sound area (on the west coast of Vancouver Island) from logging. Other regional groups included the Friends of the Tsitika, Friends of Strathcona Park, the Carmanah Forestry Society and the Islands Protection Society. The environmentalists valued the trees themselves as

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[71] Environmental group formation dates which follow are drawn from the BC Environmental Directory, Vancouver: British Columbia Environmental Network, 1990, 1995, as cited by Wilson, 1998.

part of the natural environment. Old growth trees and wild spaces were loved for their aesthetic value, and their role as habitat; economic values had little meaning for environmentalists.

Valley By Valley Conflicts –1980s

The war between environmentalists and BC forest companies began in the early 1980s with campaigns in fixed geographical areas, in what came to be known as the valley by valley conflicts. At this time, environmentalists had neither the credibility nor the numbers to launch a full frontal assault.

Valley conflicts often began with local residents, who formed regional environmental groups and expanded their membership to include others interested in preservation. Early on, members of First Nations communities joined with environmentalists to fight for the preservation of the South Moresby area (on the Queen Charlotte Islands) and Meares Island (in Clayoquot Sound) as much of the logging was taking place on land they claimed as part of their traditional territories. Their land claims remain unresolved despite the passage of many years[72].

The typical pattern of the early valley conflicts was the following: the pro-environment forces would call for preservation of a particular area in a park. The affected companies would start or continue logging. The pro-environment forces would blockade the roads leading into the logging areas. The companies would seek injunctions from the courts preventing the blockades. These would be granted. Protestors would continue to block the roads, and would be arrested for contempt of court[73]. Some would chain themselves to logging equipment, live in trees ('tree-

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[72] Land claims by the 87,000 members of BC First Nations added up to 111% of BC's total land area in 1995 according to the Vancouver Sun (April 1, 1995, p. A1).

[73] Since the injunctions were tools of the court, failure to abide by the terms of the injunction was contempt of court. Earlier charges were for blockading, but these rarely resulted in convictions. The solution that the courts and the

sitting') and perform other media stunts. There was often vandalism to logging equipment, presumably by environmentalists, and at one point, the research station of the Western Canada Wilderness Committee was destroyed, presumably by loggers. Environmentalists mounted legal challenges regarding the validity of the injunctions (they failed), the right to access logging roads that the companies were blocking, the right to build trails in an area (they won), etc. Companies attempted (or threatened) to sue the protestors for lost productivity due to the blockades (they failed). If companies continued to have problems logging because of the blockades, they typically publicly threatened job losses, and deferred to the government to make the decisions.

Government Reactions

Government reactions varied. For Meares Island, where a court injunction preventing logging had already been granted (to local First Nations, who had declared the area a tribal park), the provincial government established a Meares Island Planning Team, a multistakeholder process to make decisions on the use of the land. The company in question, MacMillan Bloedel (or MB), backed out of the process when it felt its interests weren't being served (Raizada, 1998). The provincial government later ignored the Planning Team's recommendations, giving approvals for logging. The Nuu-Chah-nulth mounted a legal challenge and won. The area has not been logged to date.

In South Moresby, at the request of First Nations and environmentalists, the federal Minister of the Environment called for the area to be preserved, and in 1987, the BC and federal governments co-created the South Moresby National Park Reserve. One journalist labeled this

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companies came up with was to have the companies apply for blanket injunctions in advance, and then to have the police enforce those injunctions.

decision as a watershed event, since it was the first time that the provincial government failed to protect MB, the prime tenure holder in that area, from public pressure (Watt, 1990). Compensation for the forest companies who lost their cutting rights in the area was guaranteed by the federal government.

In the Carmanah Valley, a proposal was put forward to have the area declared a park in 1985. MB, the tenure holder, stepped up its logging plans by 12 years and after 13 days of mandatory "public consultation", submitted its logging plans in 1988 and began logging. Following pressure from environmentalists, the public, and eventually, the government, MB agreed to preserve first 1.4% of the valley, then 7%. In 1990, the provincial Ministry of Forests decided to allow logging in the lower Carmanah Valley, while preserving the upper Carmanah. In the Lower Tsitika in 1991, the provincial government imposed a 5-year moratorium on logging while the area was studied further.

Stakeholder Conflict

Although the environmental movement in these valley-by-valley conflicts originated within communities, community support was by no means unanimous. Most of the communities involved are dependent on forests for jobs and tax revenues. As the environmental movement grew to include members from urban BC, and then international members and wealthy celebrities, community sentiments increasingly shifted against the environmentalists. "You can't just come here and tell us what to do with our land. We live here, and we'll decide how to take care of it", one community member shouted at WCWC members who arrived by bus from

Vancouver to participate in a public consultation process.[74] Locals derisively referred to the urbanite environmentalists as "cappuccino-sucking, concrete-condo-dwelling, granola-eating city slickers."[75]

In the late 1980s, SHARE groups began to form in BC. SHARE groups lobbied for the "wise" use of natural resources to meet the needs of all the stakeholders involved. *Share the Clayoquot* was formed in Ucluelet in 1989, and was one of seven Share organizations by September 1990 (Stanbury, 1990). As Mike Morton, a MacMillan Bloedel boom boat operator and chairman of *Share the Clayoquot*, said in 1991: "It's not just an issue of loggers versus environmentalists. It's the little guys who run the Sears store, the grocery store, the village appliance store ... They're all going to be affected if logging shuts down in this community. It's families. It's ordinary people."[76]

First Nations groups frequently protested jointly with environmental groups, who used their public relations skills and international connections to bring attention to native land claims. Yet most First Nations communities also depended on resource extraction for their livelihoods, and there were frequent divisions within native communities. According to Randall Lewis of the Squamish First Nations, environmentalists' blockades and forest companies' responses brought conflict into native territories, sometimes "pitting brother against brother", as environmentalist natives blockaded against their forest worker relatives.[77]

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[74] Observed by the researcher and recorded in field notes.
[75] See, e.g., Vaughn Palmer, *National Post,* May 6, 2000, p. B9. This phrase may have been coined at a CORE rally in Victoria in 1994, (*Vancouver Sun*, March 22, 1994, pp. A1, A2, as cited by Stanbury, 1994: March 22.).
[76] *Vancouver Sun,* October 23, 1991, p. B2, as cited by Stanbury (1991: October 23).
[77] From a public lecture given by Mr. Lewis at the UBC Faculty of Forestry.

Also in the late 1980s, the Tin Wis coalition was formed by, environmentalists, community groups, native groups and forestry labour groups, calling for more community control over the forests. This group appeared to have little influence and a short lifespan.

Company Responses to the Valley Campaigns

Companies responded to the increasing environmental pressures via public relations campaigns through industry associations. The Council of Forest Industries (COFI) had mounted a campaign in 1987, spending $1 million/year on their "Forests Are Forever" campaign. This campaign showed forests as a renewable resource, and the industry as doing its part to renew and sustain it. After the first year of the campaign, public distrust of the forest industry increased.[78]

The prime target of most of the early valley conflicts was MB, the largest forest company in the province at the time, and the tenure holder of large blocks of public land on the coast, particularly on Vancouver Island. MB executives first dismissed campaigns as unimportant, then resisted them, and later, attempted to find ways to negotiate with environmentalists. These responses are described in more depth in Chapter 4. During the late 1980s and early 1990s, MB strongly resisted environmental pressures, spending significant sums on its own PR campaigns, contributing additional funds to industry campaigns, fighting environmentalists in court, and having protestors arrested on the blockades.

Fletcher Challenge, another targeted company, took a more proactive approach in dealing with pressures for the preservation of the Walbran Valley (on Vancouver Island). The Globe & Mail's Report on Business Magazine (March 1990) reported the following:

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[78] January 25, 1991: (Vancouver Sun, p. D2), as cited by Stanbury (1991: January 25).

> In contrast to MB, it appears Fletcher Challenge Canada has been better able to deal with the environmentalists' challenges. It unveiled its environmental code of ethics last spring. It has taken several very public initiatives, spearheaded by its new vice-president in charge of environmental affairs. The company slapped a one-year moratorium on logging in the contentious Stein Valley north of Whistler. It formed an environmental task force of workers and named one of its strongest critics to the task force. The goal of this campaign is to convince people that the company recognizes some of the excesses of the past, and it is doing something to change them. It's called contrition, and it's what British Columbians want to hear. Contrition comes more easily to Fletcher Challenge, a New Zealand company that's been in the B.C. forest for only seven years, than it does to MacBlo, which has been logging this way for most of a century.[79]

Over the winter of 1989-90, Fletcher Challenge took about 600 Victoria residents on free bus trips into the valley and asked for public input on its logging plans. The company also set up a Walbran Advisory Group in March 1990 with membership drawn from the local community but also including three major environmental groups. The company's representative was a non-voting chairman. When the advisory group recommended against deferring logging in the Walbran, environmentalists lashed out. The WCWC tried (but failed) to get the courts to stop the logging. Meanwhile, the Sierra Club and the Carmanah Forestry Society pressured the advisory group to recommend a two-year deferral. Blockades were erected and demonstrations and media stunts were staged at the company's headquarters and at the BC Legislature. The Carmanah Forestry Society called for a boycott of all New Zealand products (New Zealand is the

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[79] As quoted in Stanbury (1990: March).

headquarters of the Fletcher Challenge corporate parent). Tree spiking took place. Fletcher Challenge appealed to the government to provide some certainty for tenure holders on Crown land but, despite public support from the Ministry of Forests for Fletcher Challenge's right to log the area, protests continued. Soon after, Fletcher Challenge announced it would withdraw from its logging operations in BC.

In April 1991, the Forest Alliance of BC was established by 13 forest products companies, with the objective of being a grassroots organization for pro-logging forces. Within one year it had 4,000 members in 224 communities throughout BC. The Forest Alliance immediately took an adversarial stance towards environmentalists: Jack Munro, a former International Wood and Allied Workers (IWA) union leader who became the chair of the BC Forest Alliance, described environmentalists who supported a boycott of Canadian timber as guilty of treason.[80] Ironically, Patrick Moore, a founder of Greenpeace, became a director of the Forest Alliance. The Forest Alliance produced half hour television shows designed to tell the industry's side of the story. Environmentalists called the shows a misrepresentation of the truth.

An Increase in Support for Environmentalists: 1991 – 1992

The character of the war of the woods changed considerably after 1991. Environmentalists had gained significant credibility with the public, and environmental issues topped the provincial election agenda. Environmentalists gained political power and set the stage for the development of market power. The battle over Clayoquot Sound marked the shift in power towards the green forces, even as over 800 environmentalists were arrested in its blockades. It began with the internationalization of the greens in 1991.

Internationalization of the Environmentalists

In the early 1990s, environmentalists turned their attention to stimulating international support for the BC forests campaign. Greenpeace International made forestry one of its high profile international campaigns in 1991 (Stanbury, 2000). National Geographic published an article critical of BC's forest practices, juxtaposing clearcut and uncut forest images. In April 1991, a Canadian deforestation week was held, organized in part by Vicki Husband of the Sierra Club of Western Canada. She urged foreign politicians and scientists to look at Canadian forest practices for themselves.[81] Thirteen members of the European Parliament surveyed BC logging sites in May, 1991. Under the sponsorship of Greenpeace Canada and the Sierra Club, another twenty-five European politicians, scientists, journalists and environmental activists visited BC logging sites in June, 1991. The response was critical of Canadian forest practices, though a boycott was not recommended. A ban of European imports of lumber from Canadian old-growth forests was discussed by the Canadian Environmental Network at a UN-sponsored meeting in Europe. A Vancouver-produced documentary ("Paradise Despoiled"), featuring environmental activist David Suzuki, was broadcast on German prime time television in 1991. Meanwhile, Greenpeace Germany began to pressure industrial buyers of pulp.

Political Change: A Green Agenda

In October 1991, the New Democratic Party (NDP), led by Michael Harcourt, won the provincial election, ending 15 years of Social Credit rule. The NDP is a left of centre party that

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[80] Vancouver Sun, April 11/91, p. C4.
[81] Globe & Mail, April 9, 1991, p. B8.

garners much of its support from organized labour *and* environmentalists, while the Social Credit party was more oriented to business[82]. Almost half the promises in the NDP party's 54-point platform in 1991 dealt with natural resources and/or environmental issues (Stanbury, 1991).

The new NDP government was in a somewhat delicate situation in that their two largest constituencies had conflicting objectives (Stanbury, 2000). Any move to pacify environmentalists by creating more parks or restricting logging volumes would have a negative impact on jobs for unionized forest workers. Yet the NDP depended on both groups for support. The government announced it would create both parks and forestry jobs. New jobs were to be devoted to replanting and thinning trees. Numerous announcements of parks creation, stakeholder consultation processes on forestry issues and changes in logging practices followed the election, with an insistence that no jobs would be lost due to the changes.

In 1992, the new premier stated his goal of protecting 12% of the province's land, more than doubling existing parks and wilderness areas, and began by announcing 23 new parks in 1992. Greenpeace Canada said that the new parks ...

> "... won't halt environmental campaigns to stop clearcut logging." ... "The war of the woods can't be over while government and industry remain committed to clearcutting at the current rate," said Tamara Stark, a forest campaigner in an international group with a $150-million annual budget. "If the government and industry would stop spending millions of dollars defending clearcutting and would instead invest in positive alternatives, Greenpeace would have backed off long ago."...[83]

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[82] The Social Credit Party has since disappeared from the BC political scene, replaced on the right by the BC Liberal Party.

[83] *Vancouver Sun,* June 24, 1994, p. A2, as quoted by Stanbury (1994: June 24).

The government also announced a new land use planning process in January of 1992 (the Commission on Resources and the Environment, or CORE), which was to develop a comprehensive land-use plan for B.C. through stakeholder consultations. Consensus-based decisions were sought from planning groups which included representatives of each type of stakeholder for a particular area (e.g., communities, union members, environmentalists, First Nations, forestry, tourism and mining industry representatives, small business representatives, etc.).

Public relations campaigns were also implemented by the government to counter the negative publicity it was receiving regarding forestry and the environment. BC and sometimes federal government representatives traveled to Europe numerous times to defend BC's land use policies and forest practices to customers and international politicians, describing environmentalists' claims as "grossly exaggerated", "misrepresentation", "irresponsible", and "totally outrageous." In BC itself, the government issued a household mailing and placed several advertisements designed to reassure BC residents that it was acting appropriately on forestry concerns. Regulations governing forest practices also changed as fish-forestry guidelines were added by the Ministry of Forests and the Environment Ministry toughened enforcement of its laws.

Clayoquot Summer and the Aftermath: 1993

Clayoquot Sound, on the west coast of Vancouver Island, was a valley battle that assumed 'totemic importance' to environmentalists, according to a Western Canada Wilderness Committee (WCWC) leader. A coalition of environmentalists began to internationalize the issue in January 1993, placing a full page ad in the New York Times seeking support for preservation

of the Sound. Robert F. Kennedy Jr. of the US-based Natural Resources Defense Council wrote an editorial trying to persuade the BC government to stop logging in Clayoquot, and WCWC proposed that all of Clayoquot be designated a UN biosphere reserve.

Since its inception, the Clayoquot Sound Sustainable Task Force had experienced considerable conflict in its stakeholder consultation process. In March of 1993, 200 protesters broke through the doors to the BC legislature in support of Clayoquot Sound. Premier Harcourt responded by saying, "We don't base our decisions on who can shout the loudest and drum the loudest."[84] In April 1993, Premier Harcourt announced the Clayoquot Sound cabinet decision: 45% of the area was to be designated for logging, 33% for parks and 17% was to fall under special management guidelines, with the remaining 5% (Meares Island) subject to a court decision initiated by First Nations. Logging in Clayoquot Sound was also going to be restricted to different logging practices: selective tree-cutting, smaller cut-blocks[85] and aerial logging.

The environmental groups declared war, saying "the NDP has betrayed the environmental movement of this province, and they're going to pay for it. ... I think the time may have come for an international boycott of MacMillan Bloedel", [86] "we will spike trees and we will attack logging equipment, and we will defend the natural integrity of Clayoquot Sound."[87] First Nations groups were also unhappy.[88]

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[84] *Vancouver Sun*, March 19, 1993, p. A1, as quoted by Stanbury (1993: March 19).
[85] A cut-block is an area which has been approved for logging.
[86] Colleen McCrory, Valhalla Society.
[87] Paul Watson, Sea Shepherd Society.
[88] The initial Clayoquot 'compromise' did not take First Nations' land claims into account. Members of the Tla-o-qui-aht First Nations met with Robert Kennedy Jr. of the NRDC to discuss tactics. Suggestions included having Clayoquot Sound raised during NAFTA (North American Free Trade Agreement) talks, lobbying for changes in US law to close the US market to Clayoquot Sound timber, and boycotting the Commonwealth Games to be held in Victoria, BC. The NRDC agreed to introduce First Nations leaders to U.S. legislators, government officials and human rights groups. Chief Francis Frank of the Tla-o-qui-aht Nation said that natives would take the necessary steps to ensure that logging in Clayoquot was halted until their land claims were clarified.

And so began Clayoquot Summer. Environmental groups trained supporters in civil disobedience tactics. There were protests at embassies and companies abroad, and a boycott of wood products from Clayoquot Sound was declared. Blockades were held on the road leading to the Sound. An MB bridge was burned, and Friends of Clayoquot Sound members were charged with arson. A counterblockade was mounted by community groups who supported the "Clayoquot Compromise" position of the BC government. Concerts were held, celebrities endorsed the protests, and thousands came out to protest. Vandalism and harassment was rampant on both sides, and one logger was charged with assaulting a protester. On Canada Day (July 1, 1993), Greenpeace demonstrations were held simultaneously in 11 countries and in several cities across Canada. Demonstrations were held at MB and Interfor's head offices and annual meetings. Over 800 protesters were arrested that summer for contempt of court, after they refused to heed the injunction against the blockade obtained by MB. Counter-blockades were held by SHARE groups to prevent protesters from reaching their blockades. Environmentalists also distributed a handout in Tofino listing 25 MB convictions for environmental violations since 1969.[89]

MacMillan Bloedel, the principal tenure holder in Clayoquot Sound, published a two-page ad in the Vancouver Sun on June 29th and July 7th, 1993, saying:

> "The Clayoquot Sound Compromise is a result of four years of intensive community negotiations. MacMillan Bloedel accepts its responsibility to make the compromise work. This is how MacMillan Bloedel is responding to logging road blockades in Clayoquot Sound:

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[89] Recall that regulations required that forest companies cut specified volumes on their forest tenures.

1. Extend an open invitation to protest leaders to meet with MB representatives to discuss concerns and work toward solutions.
2. Where practical, temporarily re-assign our work crews to other areas or special activities.
3. Consult with the local community on how best to handle the situation and proceed to implement the Clayoquot compromise.
4. Coordinate our activities with the RCMP and the Attorney General's office to ensure the safety of the public, our workers, as well as our property and equipment.
5. When necessary, obtain and ask the police to enforce court injunctions allowing road blockades to be removed."[90]

MB also provided a 7-hour helicopter tour of Clayoquot Sound for TV journalists. The company later launched a lawsuit against Greenpeace to try to recover costs incurred as a result of the blockade. Meanwhile, on July 8, 1993, Greenpeace Germany pledged to lobby large German customers to get them to stop buying products from Clayoquot Sound.

Beleaguered by the intense negative reaction to its Clayoquot Sound land use decision, the BC government formed the Clayoquot Sound Scientific Panel for Sustainable Forest Practices in 1993. It was made up of 15 scientists, 4 members of Nuu-Chah-Nulth nations, and 1 observer from the CORE process, and was charged with studying the ecological attributes of the Sound and make recommendations regarding what and how to log.

In October, 1993, the Ministry of the Environment launched an investigation of MB's logging practices in Clayoquot Sound from 1988 to 1993. The Sierra Club had led ministry staff

to damaged sites. Interfor, the other tenure holder in Clayoquot Sound, was found by the Ministry of Forests to have cut 50 hectares of the wrong timber in Clayoquot Sound, and the company received the maximum fine for this violation.

The government also announced the development of the province's first Forest Practices Code in November, 1993. Increased monitoring of compliance with forestry regulations was initiated and tough new enforcement with higher penalties was promised. The forest practices code applied to public lands in BC, although the Ministry of Forests threatened to also apply it to private lands if improvements in practices were not made voluntarily. The Forest Practices Code was a "command and control" document. It specified in detail the types of actions companies would have to undertake in logging. The code was complex and detailed: one newspaper photo showed the various volumes of code regulations stacked on top of one another in a pile that was six feet tall.

Also in November, 1993, the Friends of Clayoquot Sound and Greenpeace targeted MB's customers to try to convince them to boycott BC forest products until First Nations' land claims were settled and the province stopped clearcutting old growth wood. The Crusaders, a current affairs TV program, asked MB customers in the US if they would stop buying MB products. In December 1993, four large German companies announced they wanted to buy paper that was not derived from destructive logging practices. Greenpeace claimed that all industrialized logging in Canada was based on destructive logging practices, with clearcutting being the principal evil.[91]

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[90] As quoted by Stanbury (1993: July 7).
[91] December 18, 1993: The *Globe & Mail* (p. B3), as quoted by Stanbury (1993: December 18).

The Pendulum Swings: 1994 – 1995

In 1994, the government's stance shifted from placating environmentalists to placating labour. At the same time, it took some initiatives that suggested the BC forestry situation was under its control. Forest companies were making money due to a worldwide fibre shortage, and boycott concerns seemed remote. As a result, the companies did not object to the rising costs of logging due to new regulations and the loss of land to parks creation. Environmentalists lost support, both politically and financially, and began to fight amongst themselves. At the same time, First Nations groups' political influence was rising, and they used that power to attempt to build a bridge between MB and Greenpeace.

Government's Favour Shifts from Environmentalists to Labour

Government rhetoric suggested its policy was shifting to placate labour. In January 1994, recently appointed Forest Minister Andrew Petter said he was proud of his concern for the environment, but he also had a side that was "realistic, pragmatic and economic". He indicated that there was a crisis in forestry.[92] At the same time, the Council on Resources and the Environment (CORE) that had been established by the NDP government made its first report, focusing on the need for a sustainable economic base and environmental stewardship. CORE's Vancouver Island Land Use Plan set aside 13% of the Island (excluding Clayoquot Sound)[93] for conservation, 8% for special protection, 6% for existing city and farmland, and 73% for forestry.

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[92] *Vancouver Sun,* January 29, 1994, p. E7, as quoted by Stanbury (1994: January 29).

[93] The Clayoquot Sound area was excluded from the CORE planning process from the beginning, a fact which journalist Vaughn Palmer claimed was due to MB maneuvering (as cited by Stanbury, 1993: February 24). WCWC threatened to walk out of the CORE process in other areas if Clayoquot Sound was not included, but Premier Harcourt said he would not be threatened.

A community coalition organized Anti-CORE rallies demanding the adoption of a plan to protect only 12 per cent of the land, adding 2% of bog forests at the northern end of the island to existing parkland. More than 1,000 people attended meetings in each of several communities on the Island, and a general strike of forestry workers was called on March 11, so that those workers could protest at the provincial capital. About 20,000 people attended this rally. On March 12, 1994 the government announced a transition strategy for forestry workers, and at the rally itself, Premier Harcourt indicated he appreciated the role of labour in the NDP and was becoming more critical of Greenpeace.

With each new announcement made, politicians, company and union officials indicated some hope that the war of the woods would end. For example, the reactions to the Vancouver Island Land Use Plan were as follows:

> "We're saying if this is the price of peace in the woods, it's high," MacMillan Bloedel Ltd. spokesman Scott Alexander said. "But we'll go on board." ... "What the companies expect in return is that environmental groups stop 'badmouthing the industry in Europe' and the remaining work force be protected," Alexander said.
>
> Gerry Stoney, president of IWA-Canada, echoed that: "This decision must end the war in the woods. There is no excuse for any more logging road blockades."...[94]

The CORE process continued to be controversial. Labour groups admitted to stacking the process by creating multiple groups, each of which refused to move at all from a pre-set agenda. Environmentalists boycotted the process, claiming it was hypocritical to continue

logging while the process was taking place. Local communities were rarely happy with CORE results.

In 1994, Forest Renewal BC was formed, a crown corporation to oversee new reforestation initiatives, and to repair past ecological damage. This initiative was a win/win for the NDP, in that it was estimated to create at least 5,000 to 6,000 highly skilled jobs (pacifying loggers), while enhancing the environment. Government, industry, labour, municipalities, natives and environmental groups all approved of the plan. To secure the money to pay for the new initiative, the BC government changed the formula for calculating stumpage fees for forest companies and increased royalty rates, effectively imposing $2 billion in new taxes on the companies over a 5-year period. The money was guaranteed by law to go into the reforestation efforts through Forest Renewal BC. The forest companies praised the plan as they expected it to alleviate environmental pressures and increase the long-term timber supply.

The Costs of Change

The forest companies rarely criticized government moves during the Harcourt years, despite the fact that the costs of logging were increasing substantially[95]. With most announcements of new environmentally friendly policies, companies made mention of the costs, but suggested the money would be well spent if it brought peace in the woods. However, evidence that the full cost impact of the Harcourt government's pro-environment announcements had not been taken into account was beginning to mount. The amount of parkland set aside

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[94] *Vancouver Sun,* June 23, 1994, pp. A1, A2, as quoted by Stanbury (1993: June 23).
[95] Canfor CEO David Emerson suggested in a speech to the Vancouver Board of Trade (October 5, 2000), that there is an unwritten rule among forest company executives not to criticize the government because they have so much control over the forest land base.

under the Harcourt regime totaled 108 parks covering 2.7 million hectares.[96] Journalist Jamie Lamb suggested that compensation to property rights holders for land taken to create parks would add up to over $1 billion, yet the government had no provision on its books for this liability.[97] Columnist Vaughn Palmer discussed cabinet documents that admitted that NDP forest policies could destroy some communities, but cautioned government members not to talk about it. He stated:

> "... the recommended communications strategy is a recipe for evasion and outright deceit. ... For months, I've seen mounting evidence that the New Democrats are overstating their achievements in the realm of forest and land use policy and understating the potential impact on jobs, timber supplies and the provincial economy."[98]

A Price Waterhouse report commissioned by the Forest Alliance in BC detailed what the Harcourt changes could be expected to cost the BC economy: The annual allowable cut was expected to fall from 71 million cubic metres to 59 million in 5 to 10 years; the loss of provincial GDP was pegged at $4–5 billion; job losses were estimated at 46,000.[99] The costs to companies were also high: the average cost of logging trees on the coast was $67/m^3 in 1992, but had risen to $105/m^3 in 1995, most of which was due to the implementation of the Forest Practices Code.[100]

At a conference on the future of BC forests held in February, 1995, UBC Dean of Forestry, Clark Binkley, estimated those costs to be massive, stating:

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[96] Vaughn Palmer, Vancouver Sun, February 7, 1995.
[97] *Vancouver Sun,* October 3, 1994, p. A3, as cited by Stanbury (1994: October 3).
[98] *Vancouver Sun,* January 24, 1995, p. A12, as cited by Stanbury (1995: January 24).
[99] *Globe & Mail,* September 29, 1995, pp B1, B10, as cited by Stanbury (1995: September 29).
[100] *Vancouver Sun,* December 7, 1995, p. D7, as cited by Stanbury (1995: December 7).

> Reports collectively suggest that current policy regimes will result in long-term reduction of close to 24 per cent in provincial total harvest levels, with a significantly greater impact on the Coast than in the Interior. A 1994 study examined a variety of economic impact analyses related to harvest reductions. It concluded that a 25 per cent reduction in harvest levels will mean a loss of up to 92,000 jobs and $4.9 billion in gross domestic product (GDP) in the province with more-than-proportional impacts on governmental revenues (i.e., the net loss of taxes on social service costs for unemployed workers). Although even Vancouver's economy relies heavily on the forest sector, the impacts would be felt most strongly in the 39 of 55 rural communities in B.C. where the forest sector is the dominant basic industry. The study further indicates that a 25 per cent reduction in harvests will increase the provincial budget deficit by about $2 billion.

Harcourt denied and downplayed these allegations and, in 1995, a Ministry of Forests bureaucrat told district managers to do everything possible to keep the wood flowing in this pre-election year,[101] and the Minister of Forests himself directed the Chief Forester to consider jobs and community stability "of particular importance" when setting the AAC.[102] The Forest Minister also began explicitly tying access to the timber supply to job creation, telling forest companies in March of 1995 that he could not maintain the AAC at current levels unless they created new jobs in the value added sector.[103]

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[101] *Vancouver Sun,* February 6, 1995, p. A8.
[102] *Vancouver Sun,* April 26, 1995, p. D3.
[103] *Vancouver Sun,* March 16, 1995, pp. D1, D2.

The Clayoquot Sound Scientific Panel issued its final report in May 1995. The report listed 127 recommendations, focusing on eco-system planning,[104] and significantly restricted harvesting practices involving selective harvesting instead of clearcutting. The Scientific Panel's recommendations were adopted by the BC government in their entirety, and the two companies involved (Interfor and MB) agreed to be bound by them. One journalist summarized the Clayoquot Sound decisions as resulting in a reduction in wood volume from 900,000 cubic metres down to 100,000 cubic metres, with a corresponding job reduction from 1000 down to 100. He further suggested that the new practices could not be carried out profitably.[105]

The focus by journalists on the costs associated with responding to environmentalists' concerns had the effect of decreasing support for environmentalists among BC residents, and increasing residents' confidence that the government was taking appropriate actions.

Dissension among Environmental Groups

As BC residents became disenamoured with environmentalists and more confident that shifts in public policy were protecting the environment, two environmental groups signaled shifts in their campaigns. The Sierra Club supported the CORE recommendations for Vancouver Island, and spoke out against a boycott of BC timber, saying they were trying to work within the province. This more moderate stance created dissension in the ranks, however. The Victoria chapter began publicly criticizing the provincial organization, saying its position on forestry was weaker than those of US Sierra Club members, and that Vicky Husband of the provincial

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[104] Eco-system planning referred to a system whereby the needs of the entire eco-system were to be taken into consideration when determining logging plans, in contrast to the usual method of determining the average annual cut (AAC) by considering only the timber resources in an area.

[105] Indeed, MB lost $7M on its harvest of 52,000 cubic metres of wood in 1996, abiding by the rules of the Scientific Panel *(Vancouver Sun,* January 8, 1997, pp. A1, A4, as cited by Stanbury, 1997: January 8).

organization was a government collaborator. The Sierra Club responded by closing the Victoria chapter one year later.[106]

Similarly, the Western Canada Wilderness Committee (WCWC) accused Ric Careless of the World Wildlife Federation of being too close to the NDP, and of trying to protect the government. Both groups were part of BC Wild, a federation of environmental groups formed at the instigation of the Pew Charitable Trust[107], but WCWC argued that the groups should not fight as a coalition as the money demanded, but instead, each group should be allowed to pursue the tactics at which it excelled.

The dissension came at a time when things were not going well overall for environmental groups. The international boycott was not as successful as the groups had hoped due to worldwide wood fibre shortage. Prices were high, firms were profitable, and support for the environmental groups was down significantly. WCWC, for example, experienced a 50% drop in membership, and significant drops in donations and merchandise sales. Similarly, the Wall Street Journal reported in 1994 that the Sierra Club has racked up deficits of nearly $3 million since 1990; its membership has dropped to 500,000 from just under 630,000 in 1990, according to its executive director. ... Greenpeace saw membership plunge by 800,000 since it peaked at 2.5 million in 1990.[108]

The focus of environmental groups' campaigns shifted from isolated valleys to the entire coastal region at this time. For example, in November, 1995, Greenpeace went to the San Francisco convention of Yellow Pages publishers to ask them to cancel their contracts for paper from MB, particularly mentioning clearcutting, and saying that "environmental groups are now

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[106] *Vancouver Sun,* May 15, 1995, p. B10, as cited by Stanbury (1995: May 15).
[107] Who donated $1 million for the purpose, saying a combined effort was necessary to fight the forestry companies.
[108] October 21, 1994, *Wall Street Journal*, pp. B1, B7, as cited by Stanbury (1994: October 21).

targeting the entire BC coast rainforest in light of the unsatisfactory application of the Scientific Panel's recommendations".[109] While environmentalists' influence was (temporarily) somewhat lower, Greenpeace took a softened stance in selling its campaign. In January, 1996, Tamara Stark of Greenpeace said the group is "not against Corporate America. We understand logging will continue as an important part of the economy [but] we're against clearcutting."[110]

The Rise in Power of Native Groups

The government had privileged the position of Clayoquot First Nations by including significant native representation on the Scientific Panel. At the same time, the Harcourt government initiated 'government to government' talks with Clayoquot natives, signaling a change in its approach to First Nations' land claims. In July of 1995, a leaked cabinet document suggested that native issues dominated the government's agenda, making up 46 of a 147 item list.[111] The provincial government also began negotiating the Nisga'a treaty at this time. The government applied heavy pressure to the forest companies to support the Nisga'a agreement.[112]

The First Nations were in a unique position in Clayoquot Sound, according to an insider. Both environmentalists and companies were courting them. Legal decisions suggested the government would have to pay attention to them, and the plight of aboriginals had taken on special significance for environmentalists and social justice advocates abroad. First Nations had a history of voicing environmental concerns because of their cultural connection to the land, hence they were popular with the environmentalists. They also sought ways to develop

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[109] November 2, 1995 (Vancouver *Sun*, p. D2), as cited by Stanbury (1994: November 2).
[110] January 8, 1996 (Globe and Mail, p. A4), as cited by Stanbury (1996: January 8).
[111] *Vancouver Sun,* July 13, 1995, p. A16, as cited by Stanbury (1995: July 13).
[112] *Vancouver Sun*, October 17, 1998, p. A22, as cited by Stanbury (1998: October 17).

economic self-sufficiency, and resource extraction was seen to be a necessary part of that. Thus, they shared some interests with forest companies.

Nuu-Chah-Nulth culture emphasized consensus decision-making. Rather than choosing a side, the five chiefs in Clayoquot decided to attempt to broker a solution. They invited both environmentalists and companies to join with them in secret talks about the land use decisions. MB was also facing pressures from its customers to begin talking to Greenpeace. Representatives from both Greenpeace and MB began meeting with the chiefs in 1994. A report in the Vancouver Sun described the meetings as follows:

> Greenpeace forest campaigner Karen Mahon acknowledged several meetings have taken place with MB and the five chiefs of the Nuu-chah-nulth Tribal Council to resolve B.C.'s most publicized environmental conflict. She said talks have included issues such as small-scale forestry continuing in areas where some logging has already taken place.
>
> Three meetings have taken place between Greenpeace and MB.
>
> MB was not willing to meet a Greenpeace condition that it stop clearcutting while the talks continued, Mahon said. She said the dialogue is not necessarily dead. In the meantime, she said, Greenpeace will continue its campaign aimed at MB customers. "They are logging. We are protesting," she said.

The secret talks began last summer on the west coast of Vancouver Island aboard the vessel MV Greenpeace and have continued throughout the fall. The dialogue was initiated by Nuu-chah-nulth chiefs who have signed an interim-measures agreement with the provincial government giving them a voice in Clayoquot resource use.[113]

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[113] *Vancouver Sun,* October, 19, 1994, p. A1, as cited by Stanbury (1994: October 19).

While these talks did not end with any solutions, all three parties came to understand the needs of the others much more clearly through the process.

Domestic Backlash, International Success for Environmentalists 1996 – 1998

A Change in Political Leadership

In 1995, Premier Harcourt faced increasing public pressures regarding the misappropriation of charitable funds into NDP coffers. He resigned as premier and party leader, and Glen Clark was elected on May 28th, 1996.

Even before Clark stepped into the position, he made it clear he favoured labour over environmentalists, and made the forest companies responsible for appeasing labour groups. "We have to start tying access to public timber to job creation",[114] Clark stated while campaigning. In March, 1996, he delivered more tough talk to the industry: "If we don't reach job targets I will take action. Forests are a public resource and British Columbians have every right to expect more jobs and benefits from the timber harvested on public lands."[115] Clark made other moves to reverse the environmental momentum of the Harcourt regime. On June 28, 1996, in a cabinet shuffle, Clark appointed a new environment minister who was much less "green" than his predecessor. Under Clark's leadership, the Ministry of Forests also continued to tinker with Forest Practice Code restrictions because the code was forcing larger reductions in cut than had been forecast. In September of 1996, Clark indicated that he would take surplus money from

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[114] *Vancouver Sun,* January 31, 1996 p. B4, as cited by Stanbury (1996: January 31).
[115] *Financial Post,* March 22, 1996, pp. 1-2, as cited by Stanbury (1996: March 22).

Forest Renewal BC into general provincial revenues.[116] Clark's intended taking of that money stimulated sufficient public outcry that he backed off from this intention in January 1997, if the money would be used for forest industry job creation instead of silviculture.

Environmental Groups Focus on Customers

By June 1996, environmental groups began demanding the preservation of the "Great Bear Rainforest", a name given by the Forest Action Network to a 7 million hectare (or 60,000 square kilometre) area on the north and central coast area of BC that had not previously been logged in any significant way. The marketing campaign featured the white "spirit" bear (the Kermode bear), whose habitat is on the north and central coast. While earlier disputes had emphasized smaller valley areas, the Great Bear Rainforest was a huge eco-system that environmentalists were seeking to protect. A Greenpeace pamphlet in August 1996 called for end to all industrial logging in coastal old-growth forest[117], as well as an end to the building of logging roads. Greenpeace launched its international campaign to save the "Great Bear Rainforest" in April 1997.

Some key environmental groups broadened their range of targets and tactics just as they broadened their demands. The Rainforest Action Network (RAN) in California targeted Pacific Bell Directories in 1996, a major customer of MB, using a "work from within" strategy instead of the usual protest tactics. An ethical investment firm voted 9% of the shares at the annual general meeting for a resolution to stop buying paper made from coastal rainforest products.

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[116] Recall that the money for Forest Renewal BC was raised via higher stumpage fees and royalty rates on timber licenses, with the legal guarantee that the money could only be used to improve the forest resource through reforestation, enhanced silviculture and ecological reparation.

[117] The majority of forest land to be harvested on the BC coast is old growth. Second growth forest has not yet reached maturity.

This represented a significant broadening of the target beyond MB to forest companies along the entire coast.

Greenpeace announced in 1996 that its strategy would be to focus on international markets instead of domestic protest tactics. Targets were broadened to include new "rainforest ravager" enemies — Interfor, Canfor, Doman Industries, Pacific Forest Products, Repap Enterprises and others — along with their customers. Greenpeace threatened to hit wood and paper buying companies with consumer boycotts if they did not find replacements for BC products.

The Clayoquot Rainforest Coalition, which later became the Coastal Rainforest Coalition (acting for the Natural Resources Defense Council, Greenpeace and the Rainforest Action Network), put an ad in the New York Times in May of 1996 in which 38 celebrities indicated their support for the Clayoquot campaign, and called on BC to end clearcutting, increase preservation of forests, and "end the stranglehold of the 10 large logging companies controlling 61% of BC's forest lands".[118] The growing BC film industry was threatened in the ad. The coalition's stated objective was to ensure there was no US market for ancient rainforest wood products by Earth Day (April 22), 2000.

In 1997, Greenpeace used more traditional tactics, but applied them to new targets in its market campaigns. In Frankfurt, protesters chained themselves to the gates of one of Western Forest Products' biggest European customers until the company agreed to demand guarantees from Western. In the UK, Greenpeace stunt men climbed atop a crane delivering BC timber and pulp to Europe, and wouldn't leave until two other companies agreed not to buy from Western Forest Products.

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[118] *Vancouver Sun,* May 14, 1996, D1, as cited by Stanbury (1996: May 14).

As environmentalists began to use direct action against international customers of BC forest companies instead of direct action against the forest companies themselves, the attention of the BC government was not that important anymore. Direct pressure on customers would force the companies to change their practices on the ground. If the new practices contravened regulations and the guidelines of the government, it was up to the companies to work it out — and they had a good reason to do so (market access).

The new international market-based tool also diminished the importance of First Nations to environmental groups, since customers carried more weight with and posed more immediate concerns for companies. Greenpeace launched a logging blockade in Clayoquot Sound to kick off its movement of the International Rainforests campaign headquarters to Vancouver in June of 1996, against Nuu-chah-nulth protocols. The Nuu-Chah-Nulth Chiefs were not pleased that the protest was held without their consent and they severed ties with Greenpeace[119] while continuing to negotiate with MB. Greenpeace responded by suggesting that the Nuu-chah-nulth had been co-opted by forest companies with the promise of shared logging revenues. Friends of Clayoquot Sound leader Valerie Langer verbalized the change in perspective:

> "What this action is saying very clearly is that in terms of global rainforest ecology, it doesn't matter who is doing the logging and who is giving the approval. There is a line to be drawn and it is based on bio-diversity."[120]

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[119] Vancouver Sun, June 22, 1996, A1, A24.
[120] June 22, 1996 (Vancouver Sun, pp. A1, A24)

Environmentalists Feel Backlash

Premier Clark called Greenpeace activists "enemies of the province." The new "tough talk" toward environmentalists was also showing up elsewhere. By June 1997, the province and the forest industry signed the Jobs and Timber Accord, with commitments to create nearly 40,000 new jobs. WCWC found itself blockaded in its attempts to reach contentious logging sites near Squamish (in the Elaho, just north of Vancouver), by IWA protesters, supported by the Howe Sound Chamber of Commerce. By late June, pro-loggers blocked the road into the Squamish Valley, demanding travelers sign a petition opposing demonstrations that interfere with logging before they could pass. In Port Hardy, community members erected a banner reading "Forestry Feeds Our Businesses and Families – This is a Greenpeace Free Zone." [121]

There was other evidence of backlash in 1997. The IWA blockaded the Greenpeace ship 'Arctic Sunrise' in the Vancouver harbour, demanding that Greenpeace pay $250,000 in lost wages due to Greenpeace's blockades on the Central Coast. The IWA also indicated it was considering declaring Greenpeace a 'hot company', meaning that unionized workers from all types of companies would not provide goods and services to it. This supplier boycott tactic would be similar to Greenpeace's own consumer boycott tactic, except that with union solidarity, it was likely that a much higher proportion of unionized workers would go along with such a boycott than would consumers. The BC Coast Pilots' union refused to cross the IWA picket line to guide the Greenpeace ship out of the Vancouver harbour. After a week as a hostage, the Greenpeace ship managed to slip away. IWA launched a lawsuit against Greenpeace, the Forest Action Network and other activists for the wages lost in central coast blockades.

On the central coast, Nuxalk Indian Band Chief Archie Pootlas and pro-logging supporters confronted environmentalists in Bella Coola. On nearby King Island, 24 natives and environmental protesters were arrested for blocking logging there, signaling divergence in First Nations views[122]. Three First Nations groups on the central coast signed a protocol condemning environmental protests and what Pootlas called "environmental colonialism."

The Forest Alliance was also active in backlash efforts. It ran an extensive advertising campaign throughout the summer of 1997, urging BC residents to "demonstrate their opposition to the protest tactics of Greenpeace International and other anti-forestry groups".[123] Patrick Moore, Greenpeace founder and Forest Alliance director, said the summer "marked a turning point, a growing impatience with the 'unfinishable agenda' of environmental groups."[124]

While environmental groups were faced with backlash in BC, they kept up the pressure in international markets. Major customers, beginning with German publishers and Scott Paper UK in 1994 but followed by GTE directories, and later, by international lumber retailers like Lowes, Do-it-All and B&Q, succumbed to the groups' pressures, announcing purchasing policies that variously favoured wood that was logged in a sustainable fashion (i.e., not clearcut), and/or that did not come from old growth forests. In 1998, a New York Times ad listed 27 leading US companies that were "saving ancient rainforests without ever chaining themselves to a tree",[125]

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[121] *Vancouver Sun,* July 4, 1997, A4, as cited by Stanbury (1997: July 4).

[122] In fact, within the Nuxalk band itself, there were divides over what position to take. Band leaders tended to be pro-logging, while a group of band members were anti-logging. Both groups were active: Nuxalk band members had traveled to Europe with the Forest Action Network (FAN) in the early 1990s, and continued to be supportive of FAN to 2000. At the Interfor Annual General Meeting in 2000, FAN presented a letter from the Nuxalk bank which opposed Interfor logging on King Island, but Interfor company officials assured me that they had already signed a memorandum of understanding with the Heiltsuk band, which according to BC Treaty Commission records, was the claimant for King Island.

[123] *Vancouver Sun,* September 24, 1997, p. B4, as cited by Stanbury, (1997: September 24).

[124] Ibid.

[125] *New York Times*, December 8, 1998, p. 2, as cited by Stanbury (1998: December 8).

by shifting away from old growth to independently certified or alternative materials. The ad listed seven laggard companies, including Home Depot, Wal-Mart, AT&T, and the LA Times.

Home Depot, as the largest US lumber retailer, was an important target for environmental groups, and so the campaign for its support intensified. Activists protested outside 75 of its stores in the US and Canada in 1998. On March 10, 1999, Home Depot announced that it endorsed the certification standards of the Certified Forest Products Council (a US-based buyers' group). This move was not considered sufficient by environmentalists, however, as they preferred FSC certification. They intensified their pressures. On March 18, 1999, 150 Home Depot stores were targeted by activists for its role in the destruction of BC rainforests. In May, Greenpeace and RAN activists demonstrated outside the company's annual meeting, demanding that the company not sell lumber from old growth forests. Inside the meeting, shareholders voted 90% against a proposal to have Home Depot detail efforts to end old growth sales within 2 years. Home Depot did put pressure on MB, however, calling the company (along with other suppliers) to a meeting of company suppliers in Mexico near the Forest Stewardship Council headquarters. By August, 1999, Home Depot announced it would stop selling wood from "environmentally sensitive areas" by 2002, giving preference to wood certified by the Forest Stewardship Council.

An implication of the change in focus in environmentalists' campaigns was that the environmental groups that were involved in the market-based campaigns increasingly fell off the government's radar screen. Environmental groups no longer spoke to the BC public, nor to labour, nor as much to First Nations, nor to government itself. The environmental groups that were active in market-based campaigns almost universally boycotted the BC government's land use planning processes. The government responded by paying attention only to those more moderate groups that did talk to the government and participate in land use planning, some of

which (e.g., the World Wildlife Foundation), were very happy with the government's environmental record. The government saw less of a need to act, according to insiders. Yet these more moderate groups were not important to the companies, since they did not speak through their customers.

Forest Companies Face New Pressures

In addition to the environmentalists' pressure on their customers, and still feeling the impact of the Asian flu, coastal companies were suffering severe market access problems. The Canada-US Softwood Lumber Agreement made growth in sales to the US market impractical. Europe, the most environmentally sensitive market, remained the primary option for growth. With low lumber prices, high stumpage and environmental costs and mounting losses, BC forest companies were increasingly desperate to stem the flow of red ink. This vulnerability greatly increased the power of environmental groups and created a unique climate for the search for private-sector based sustainable solutions.

Furthermore, as the Clark government erupted in controversies in other areas, its attention increasingly shifted away from Forestry issues. An inexperienced and low profile minister was put in charge of Forests in 1999 after the prior Forests Minister resigned due to stress. Premier Clark resigned in 1999, under police investigation of influence peddling. After an interim term by Dan Miller, Premier Ujjal Dosanjh took charge of the lame duck government in 2000, gearing up for an election in 2001.

According to a political insider, government needs either strength or length to address contentious issues. This government had neither. Forest stakeholders clamored for the government to step in against the environmentalists' demands, yet no action was forthcoming.

Market pressures intensified. There were several instances in which targeted customers reversed or modified their stance. For example, IBM International agreed to be part of a campaign, but IBM Canada denied any knowledge of the international organization's commitment, and distanced itself from it. Hallmark cards signed a commitment, but revoked it after being threatened with a boycott by IWA union members. Similarly, Starbucks backed off on their commitment after being contacted by the IWA. Bell Canada allegedly gave a commitment to environmentalists in 2000, but denied it after speaking with Forest Alliance and BC government spokespeople. An unnamed computer company revoked its commitment after receiving a call from a BC forest company to come and pick up its computer equipment from the forest company.

MB Phases Out Clearcutting

Tom Stephens became the CEO of MB in 1997 after two large block shareholders pressured the board of directors for leadership changes. Stephens changed not only MB, but also the industry. Coming from outside of Canada (the US), and most recently, outside the industry (he had completed a turnaround of the Manville Corporation in Asbestos products), Stephens brought a fresh perspective. He began talking about MB's need to maintain its social license to be in business. In January, 1998, he appointed a cross-functional team of company managers to study "new ways to do forestry." He himself had a successful meeting with environmental groups. By April, 1998, he hinted at major changes in the company's forest practices, saying,

> "MB has long been the primary target of environmental groups who oppose clear-cut logging, particularly in old-growth forests. This year [environmentalists] have renewed their campaign in Europe to persuade buyers of coastal BC wood

— and the customers of those companies — to avoid such purchases. Now, more and more, MB is hearing complaints from customers as a result of that overseas campaign. ... We're asking ourselves if clear-cutting old growth is the best economic harvesting method given advancements in logging technology and changes in the values of various elements of the timber stands." (Globe & Mail, April 24, 1998, p. B1).

... and ...

"The classic clear-cut, emblematic of coastal logging, may be on the way out. ... Greenpeace has used the reality of the free enterprise market with impressive effectiveness: Tell the retail customers of wood-using companies that their purchases are killing bears, that beautiful forests are being destroyed forever, and they will stop buying. Not buying is a compelling argument to which MB's customers are listening." (Vancouver Sun, April 25, 1998, p. A26).

In June of 1998, MB announced it was completely phasing out clearcutting on all its lands over a 5 year time period, converting instead to a variable retention harvesting scheme. Although MB's policy contravened forest practices code as written, the Ministry of Forests agreed to react favourably to the new development, and made regulatory changes in the following year to allow for it. The environmentalists, briefed ahead of time, responded with qualified praise for the move. "MB is leapfrogging miles ahead of anyone else," a Rainforest Action Network representative commented.[126] . "All around the world people always say: The customer is always right. Finally, MB is listening to the customers", was the Greenpeace

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[126] *Wall Street Journal,* June 10, 1998, p. B2, as cited by Stanbury (1998: June 10).

reaction, amidst toasts over the new policy.[127] Journalist Vaughn Palmer noted that MB "is pressing ahead with standards the government never dreamed of adopting."[128] The lone critical voice came from the Friends of Clayoquot Sound, indicating concern about blowdown in the new 'doughnut clearcuts'.[129]

The war of the woods was not over, however. Greenpeace announced its plans to go to Japan to publicize its boycott of BC forest products just two days after the variable retention announcement, then declared a truce with MB on June 17, 1998, 5 days later. In October, 1998, Greenpeace announced a blanket attack on coastal companies, and said that MB would have to defend itself in the marketplace.

The Coastal Forest Conservation Initiative (CFCI): 1999 and Following

When the campaign broadened to include all coastal companies, executives at MB indicated that they realized MB's independent actions would not be enough to stop the war of the woods, or even remove MB from the list of targeted companies. MB executives approached executives in other leading forest companies to encourage a coordinated response by the larger BC coastal forest companies and to encourage the others to also phase out clearcutting. They offered companies access to the research from the Forest Project to enable them to more quickly and efficiently support and implement such a move. Interfor committed in April 1999 to converting 25% of its operations to variable retention. TimberWest committed in May 1999 to

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[127] *Vancouver Sun,* June 11, 1998, p. D1, as cited by Stanbury (1998: June 11).
[128] *Vancouver Sun,* June 10, 1998, p. A16, as cited by Stanbury (1998: June 10).
[129] *Vancouver Sun,* June 12, 1998, p. F2, as cited by Stanbury (1998: June 12).

phasing out clearcutting over a 4-year time period. Three other companies joined with MB in discussions about a coordinated response, but did not agree to phase out clearcutting.[130]

The six companies together, known as the Coastal Forest Conservation Initiative or CFCI, attempted to convince leading European customers that BC logging practices had changed significantly, and thus the customers should no longer accept environmentalists' claims. They invited German publishing companies to tour logging sites in BC to make their own decisions. The German publishers came, and also accompanied Greenpeace on tours of BC logging sites. Greenpeace identified a list of 113 valleys on the north and central coast that it felt should be preserved. The publishers remained doubtful that BC now practiced only sustainable forestry.

In a September 1999 meeting attended by CFCI member companies, environmentalists, and the German publishers, the publishing firms threatened to withdraw their support from environmentalists, and to pull their business away from the forest companies, if the two sides did not work together for a solution. The CFCI then voluntarily called an 18 month moratorium on logging in the 113 valleys that Greenpeace had identified, and invited environmentalists to join with them in discussions for a potential solution. Environmentalists accepted and agreed to stop their customer campaigns against the companies while the talks were underway. Any member could withdraw at any time, giving 14 days notice. This combined group became called the "Joint Solutions Initiative."

The existence of the group was not made public immediately, though members suggest the government was aware of it. The group began to open up its discussions to other stakeholders in March of 2000, again hoping to maintain a low profile. One of the stakeholders who had been informed leaked the group to the press, however, and public backlash soon

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[130] MB had, by this time, been sold to Weyerhaeuser, who continued with the involvement in the Joint Solutions

followed. First Nations' groups, communities, unions, independent contractors (truck loggers) and others claimed it was wrong for companies and environmentalists to call a moratorium on logging. The decision had effects on all of them, and the companies and environmentalists had no authority to make that decision.

Environmentalists had also increased the number of valleys that were included in their demands, and two of the CFCI companies were significantly affected by these additions. When the public pressure followed, these two companies dropped out of the Joint Solutions Initiative.[131] Greenpeace also dropped out of the initiative and the customer campaigns resumed, but the group continued on, with a larger set of stakeholders included in the negotiations. In 2001, environmentalists and CFCI companies jointly funded research designed to identify best practices for eco-system management to identify a solution to the war of the woods. Talks are ongoing ...

SUMMARY

This appendix has outlined the social and political context of the forest industry in BC to the present day, focusing in detail on the rise in power of environmentalists from the early 1980s until the present day, and the response of other organizations involved in the BC Forestry context to their pressures for sustainable forestry.

Initiative.

[131] One of them, Interfor, was told by a First Nations band with whom it had partnered that it had to leave the Joint Solutions Initiative if it wished to continue the partnership.

APPENDIX 3:

SUBJECTIVE REPORT

Company: _____ Date: _____

Respondent: _____ Interviewer: _____

Please outline the proceedings of your meeting. What happened, and in what order? Who was present?

What were your impressions regarding the facilities? Describe meeting room and surroundings.

Did you feel welcome during the interview? Rushed? How were you treated by the respondent?

Did you get the impression that the respondent would be willing to talk with you again in the future? Did the interviewee seem uncomfortable or nervous, happy, excited or proud about any questions?

What was the mood in the company/on the floor? Busy, open, subdued? How did the environment/culture feel?

What was the weather like during the interview? What was your own mood? Respondent's mood?

What were you wearing? What was the interviewee wearing?

Did you note any surprises? Any observations which jarred with information provided to you? What struck you the most in this meeting?

How was the respondent's office decorated? (pictures of family, knick-knacks?)

Were there any interruptions during the meeting? By whom and for what?