

Policy networks and firm behaviours: Governance systems and firm responses to external demands for sustainable forest management¹

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Introduction

Following the decline in the resources and role of ‘the state’ in the 1990s, many political scientists began to focus attention on explaining and prescribing processes to ‘reinvent’ government, and the types of services governments would be able to provide to civil society.² Curiously, political scientists shied away from studying an equally important question in this era of the shrinking state: the interface between public policy and private firm policy choices. This is a particularly important matter regarding environmental policy, where governments face contradictory pressures to reduce their role and yet increase environmental protection. When governments choose to resist strict regulations and adopt voluntary compliance policy instruments, or when they do not provide resources to address environmental policy problems, we can easily explain these public policy responses as ‘rolling back’ the state. But what are the effects of these policy changes on corporate choices? Can governments and civil society rely on companies to address the problems for which policies first came on the public policy agenda? Does the system of governance affect the choices firms make as they respond to pressures for corporate policy change? What public policy initiatives best encourage firms to become proactive?

This paper constructs a framework to answer these questions by building on existing ‘neo-institutional theory’ developed by organization sociologist³ which is part of the broader area of Organization Theory (OT). Neo-institutional theory is attractive to scholars of corporate greening because of its multi-faceted approach that examines the role of formal institutions, conventions, and values. This paper shares with institutional theory the assumption that firm responses (be they changes in a firm’s issue management, corporate stance, policies and organizational structure) are largely determined by the makeup of their external environment. Internal firm structures are, for the most part, treated as dependent variables.

We argue that while this literature sheds much light on how, when, and why firms respond to external pressures, it inadequately conceptualizes the role

different governance systems have on corporate responses. To overcome this weakness, we incorporate political science's own neo-institutional literature,⁴ looking at state/societal relations (policy networks) and regulatory regimes, and then offer a theoretical framework with which to understand corporate policy choices. Although this framework can be applied in a variety of policy areas, our purpose is to explain how and why forest companies in North America respond to external pressures for increased environmental protection. We conclude this paper with an illustration of the applicability of this theory by reviewing the experiences of three forest companies operating in British Columbia, Alberta, and Alabama, all of whom have responded to pressures for increased environmental protection in different ways.

Neo-institutional theory and its modifications

Neo-institutional theory examines how, at the level of the organization, 'certain social relationships and actions come to be taken for granted'. It focuses on 'shared cognitions [that] define what has meaning and what actions are possible' (DiMaggio and Powell, 1991a; Zucker, 1983: p. 2). Institutionalization is seen as a process of social construction by which individuals come to accept a shared definition of social reality that includes 'the way things are,' 'what is important' and 'the way things are done' (Scott, 1987: p. 496).

This literature has helped to understand general patterns of industry or sector-wide firm convergence, especially since traditional rational choice/profit maximizing models have difficulty capturing these types of long-term value changes. However, scholars criticize this approach for being overly deterministic (Greening, 1992) and unable to explain extant research indicating that firms in some sectors incorporate these external pressures in different ways. DiMaggio and Powell (1991b) addressed these difficulties when they noted that firms in different sectors will undergo different types of 'isomorphism,' the process in which external influences/values enter the firm. *Coercive isomorphism* refers to changes resulting from government regulatory changes or from organized societal interests (environmental groups or the media) who successfully challenge corporate legitimacy; *mimetic isomorphism* occurs when firms see other firms making changes that appear to be successfully addressing an uncertain climate; and *normative isomorphism* represents those cases in which pressures for change came from a firm's own business association or other professional associations (DiMaggio and Powell, 1991b: p. 67).

These distinctions recognize that a firm's process of institutionalization will be different depending on the source of external pressure. However, DiMaggio and Powell's research project was limited to understanding the process through which firms would acquiesce, rather than how firms could fend off external pressures, or innovate and move beyond them. And, the level of analysis was focused on the response of firms in different sectors, rather than on explaining cases in which individual firms in the *same sector* respond to societal pressures

in quite different ways.⁵ Why some firms, even within the same sector, would acquiesce to external pressures, while others would not was not clear.

These limitations led Oliver (1991) to argue that neo-institutional theory provided only one end of a continuum of possible responses by firms. Firms might acquiesce to external pressures as neo-institutional theory predicts, but firms might also compromise, avoid, defy or manipulate, depending on the type and nature of external pressures.⁶ Oliver turned to resource dependency theory because it focuses on the role of the individual firm, and the different types of short-term pressures that cause a firm to react to external interests (these include shareholders, government agencies, interest groups and the media). The task, as Oliver saw it, was to merge institutional theory with resource dependency's insight that some firms respond to external pressures according to individual self-interest, even if against dominant civil society values, while others will acquiesce.⁷

We detail Oliver's model because it is our theoretical point of departure. She posits that more attention must be paid to the *type* of external pressures facing firms, and the *range* of firm responses and strategies. Oliver offers a complex model that argues that the degree of resistance or acquiescence to external pressures depends on the cause, constituents, content, control and context of the external pressure. Resistance to external pressures is hypothesized to be greater when:

- opportunities for social legitimacy and economic gain are limited (CAUSE);
- the sources of external pressures are divided and dependence on the source of pressure is low (CONSTITUENTS);
- there is limited consistency with organizational goals and discretion is high (CONTENT);
- there is a low degree of legal coercion and few other firms have acquiesced to these pressures (CONTROL);
- there is a low level of uncertainty and limited interconnectedness between a firm's goals and those organizations exerting the pressure (CONTEXT).

Oliver's model permitted future research to examine whether, and how, short-term pressures affected individual companies in the same sector; whether these pressures varied across individual companies; and the way in which longer term institutionalization took place. The attraction and use of this model exposed epistemological difficulties. The model failed to address the situation in which the 'cause' or 'control' elements of pressure might predict a firm to acquiesce, but that the makeup of the constituents might cause a firm to resist. Which of these factors were supposed to dominate was uncertain (Rowley, 1997: p. 896). Nor did the model allow for cases in which a firm might occupy 'acquiesce' and 'manipulate' categories at the same time, depending on the *source* of external pressures. For example, on the same issue a firm can try to avoid increased government regulations, while compromising with environmental groups over their demands.

Similarly, hypothesizing that the more divided a firm's stakeholders (constituents) are, the more resistant to change a firm will be, fails to distinguish between the type of stakeholders. As we will argue below, there is almost always division among 'economic,' 'social' and 'state' stakeholders (and thus de facto constituent multiplicity), but the challenge is to understand the conditions under which different stakeholders have influence. We need to explore why an organization's dependence on the 'source' of pressure varies, i.e., why one day a firm responds only to its shareholders while the next it accommodates environmental groups – the demands of which the firm historically normally did not address. We need to know more about the conditions in which different stakeholders have influence and *the conditions under which organizational dependence changes*.

In addition, Oliver's categories stop at 'acquiescence,' leaving no category for firms that go beyond societal pressure, undergoing what Vertinsky and Zietsma refer to as 'corporate greening,' where green values become so ingrained that the company is more advanced than societal pressure, leading the way with innovation and proaction. Neglecting this 'proactive category' is problematic because recent research indicates that firms that develop internal procedures for issue management are able to be proactive and take advantage competitively of their corporate greening policies (Greening and Gray, 1994; Post and Altman, 1992; Sharma and Vredenburg, 1998). And just what governments should do (or not do) to encourage corporate innovation, proaction and 'greening' has consumed the attention of policy makers and advisors (Porter and Linde, 1995). Recognition of the full scale of potential corporate responses reinforces the need to understand how governance systems affect corporate responses. Oliver's essay directed research on corporate responses in beneficial directions, but also closed important doors that we wish to open.⁸

Incorporating policy network and regulatory regime literature

Political science's own related 'neo-institutionalism' literature helps address the epistemological and heuristic problems raised above. We specifically focus on the role of policy networks (state as an actor) and regulatory regimes (state as a legal order), which taken together comprise what we refer to as the sectoral level's system of governance.

We argue that the system of governance is more than one of many factors affecting a firm's responses. Rather, it is an 'intervening' variable affecting the way in which firms respond to all of their external stakeholders/pressures. We argue that the degree of independence of the state actors vis-à-vis economic and other organized interests (state as an actor); and the type of regulatory style (state as a legal order), largely determine the type of responses firms will make to different stakeholders. Recognizing this helps us understand why, within the same sector, individual firms make different choices. Whether external pressures target individual firms differently within the same sector is an important question for explaining corporate responses, but it is incomplete. The system of

governance affects how individual firms respond to different external pressures, as well as stakeholder strategies aimed at targeting individual firms (Bernstein and Cashore, 1996).

The project of policy network scholars is to understand the nature of state/organized interest relations at the ‘meso’ or sectoral level.⁹ This literature developed a set of policy network categories that have been used to help explain the role of societal interests, the nature of the policy-making process, and as an ingredient in explaining policy change and stability.¹⁰ This research informs this paper because of the attention it places on whether business associations enjoy a dominant place in policy-making processes.¹¹ Policy network scholars wish to understand the networks in which business does not dominate, why this is so, and the effects of different networks on policy outputs and policy change. We review policy network categories below, and then turn the policy network literature on its head – arguing that different policy networks and regulatory regimes do not only affect public policy choices, but they also affect private sector firm responses to external pressures for change.

Network structure

Coleman and Skogstad (1990) identify five general types of policy networks which they label pressure-pluralism; clientele-pluralism; corporatist; concertation; and state-directed.¹² These networks vary across three dimensions. The most important characteristic is the degree of state autonomy vis-à-vis business and non-business interests. State autonomy refers to the ability of the state to realize its own goals. State capacity (the ability to formulate and implement public policy choices) and the mobilization of business and non-business associations, are also key factors in understanding the type of network that exists (Atkinson and Coleman, 1989: p. 77–94). Pluralist networks form when groups independently vie for attention of the state. If the state is autonomous, the network is classified as *pressure-pluralism*. This category best conforms to traditional pluralist theories of power and represents a case where business interests must share their influence in policy-making with non-business interests. Under this policy network groups are involved in the ‘sub-government’ as ‘policy advocates,’ rather than as ‘policy participants’ (Coleman and Skogstad, 1990: p. 2). A *clientele-pluralism* network exists where the state has little autonomy from one or more organized interests. These relationships tend to involve a bureaucratic agency’s dependent relationship with a corresponding sectoral-level business association. With this type of network, business interests are ‘policy participants’ within the sub-government; state agencies rely on business interests for advice; business interests essentially have a veto over policy change; and other organized interests are relegated to roles as ‘policy advocates.’

Clientele-pluralist networks dominated many sectors of decision-making in most industrialized countries before the 1960s. They describe most aspects of forest policy-making regarding federal forest lands in United States until the

1960s; in British Columbia until the late 1980s (Cashore, 1997; Cashore, 1999), and they continue to describe the forest policy-making process in Alabama, Alberta, and to varying degrees in Oregon and Washington State. Whereas pressure-pluralism and clientele-pluralist networks concern ‘unequal’ relationships between the state and organized interests, a *corporatist* network exists where a high level of state autonomy is augmented by a ‘concentrated and well-coordinated’ state decision-making structure, and where organized interests ‘representing conflicting producer or consumer groups participate with the state in the formulation and implementation of policy’ (Coleman and Skogstad, 1990: 28–29). The corporatist network category describes a system of state societal relations at the sectoral level in which business, labour, environmental groups and other societal interests deliberate over policy-making in the hopes of finding a high degree of consensus. While the state retains its right to make the ultimate policy choice, societal interests are given the opportunity to work out their differences and arrive at agreed upon solutions.

A *concertation* network is different from a corporatist network in that only ‘a single interest association’ is involved in policy-making (ibid.). Concertation networks tend to exist where business associations and their firms work with a government agency to collectively devise (or reject) policy choices. Unlike a clientele-network, the state in a concertation network is autonomous from business interests, and works with business to develop mutually acceptable choices. The state thus has room to inject ideas that it might not be able to do so under a clientele-pluralist network, where it has little autonomy from business interests. Nonetheless, there are important similarities between clientele-pluralism and concertation because industry is a policy participant in both networks and must give its approval to policy choices.

Finally, *state directed* networks exist when state officials control the policy-making process and impose solutions. Business, environmental and other societal interests are not involved as policy participants, with all of them relegated to policy advocacy roles. Unlike a pressure-pluralism network, the state does not limit its range of options to the proposals put forward by organized interests, and it does not feel any compelling need to balance or reflect the demands of societal pressures.

Using these typologies, we can identify three cases that distinguish the role of business interests from other societal interests. Business *dominates* other societal actors under clientele-pluralist and concertation networks, and even dominates state actors in the former case.¹³ Business is on a relatively *equal footing* with other societal organized interests in pressure-pluralism and corporatist networks. Business is *dominated by* the state in state-directed networks, as are other societal actors.

The regulatory style

Whereas policy networks highlight the role of the state as an actor, regulatory regimes (Eisner, 1993; Hoberg, 1992b) focus attention on the influences of the state as a legal order. We focus specifically on legalism and the role of the courts in this paper, since Cashore (1997; 1999) and Hoberg (1993a; 1993b) have found that the degree of legalism/non-discretionary legislation has important independent effects on public policy choices over forest management. While some analyses (Flick, 1994; Flick, Barnes and Tufts, 1995) have implicitly examined how legal rules affect firm acquiescence directly, curiously scant research has explored the way in which regulatory regimes mediate firm responses to an array of external pressures.

The degree of legalism and non-discretionary requirements are important for explaining firm responses because they often force action through coercion. Judicial rulings may require government agencies and firms to act on environmental protection matters where they otherwise might not act, or where they would take different decisions than the courts mandate (Cashore, 1999; Hungerford, 1994; Yaffee, 1994). A legal/non-discretionary regulatory style gives environmental groups a stronger tool with which to pressure companies, as they can use the *threat* of launching costly and time consuming litigation to achieve increased access and influence. Wondolleck (1985; 1986; 1988) has noted that under such regulatory styles, alternative dispute resolution process are often invoked in the hopes of avoiding litigation. Cashore (1997; 1999) has found that court rulings under legalism alter the way state officials consult with non-business interests, and the way business interests consult with environmental and social interests.¹⁴

To explore the role of systems of governance, we must break down a firm's external pressures into their component parts. Organization sociology's neo-institutional literature achieves this with its distinction between the societal and organizational fields.¹⁵ While useful for distinguishing between economic and social pressures, these categories lump the 'state' with 'social movements' under one societal field; while regulatory agencies (themselves part of the state) are placed in the same category as a firm's customers under the organizational field. We prefer to conceptualize external pressures as four broad sets of stakeholders: the state as an actor (state officials and state agencies); the state as a legal order (regulations and court rulings); economic interests (shareholders, customers, suppliers) and social interests (environmental groups, the media and organized labour).¹⁶

The model

Using these categories of external pressures on firms, and drawing on the policy network/regulatory style typology above, we extend both organization sociology and political science neo-institutional theory by arguing that the system of governance will influence a firm's approach to different external pressures. We also distinguish initial response by business to external pressures from pursuant

(plan 'B' and 'C') responses when initial strategies fail. We make this distinction because, as reviewed below, the ability of external sources to sustain pressure on individual firms often results in corporate responses different from initial firm approaches. Heretofore, the effects of policy networks on corporate firm choices have received scant attention. We can nonetheless survey policy network and public policy literature, research on regulations on corporate responses, as well as rely on intuition to generate researchable hypotheses.

Research on consumer and environmental politics since the mid-1970s indicates that it is unlikely that firms will initially acquiesce to pressures from environmental groups and other social interests when business interests dominate the policy-making process (i.e., a clientele-pluralist or concertation network exists).¹⁷ Firms will seek to pacify, manipulate or even ignore these pressures because they have little to lose – the firms influence public policy choices while the pressuring social interests do not. Similarly, where clientele-pluralist and concertation networks operate under a legal/non-discretionary regulatory style, firms will initially resist court intervention, seeking to rectify legal problems through statutory or regulatory change.¹⁸

Firms operating under business-dominated policy networks may change their initial response and pacify external pressures with limited changes when they fear that the threat of increased regulations or a change in the policy network is possible (Cashore, 1997; Pratt and Urquhart, 1994). Such fears are likely to arise when social interests successfully raise and sustain an issue in the media and the general public. This phenomenon is more pronounced in a concertation network, in which state actors are autonomous and can more easily insert new items on the policy agenda.

Contrary to the 'avoid,' 'defy,' or 'manipulate' strategies we predict firms will take initially toward social interests and the courts under concertation or clientele-pluralist networks, evidence indicates that firms in clientele-pluralist and concertation networks tend to acquiesce, and in many cases, pro-actively respond to economic stakeholders. This is for two reasons: first, economic actors such as shareholders and customers can affect the profitability of companies, turning environmental protection issues into economic ones. Secondly, pressures from economic actors will generally not be as threatening or as restrictive as those solutions raised by environmental groups because such rules are not usually in the direct interest of profit seeking economic actors. While the logic of this argument is that pressures from economic actors will not force companies to undergo stringent changes regarding environmental protection, Sharma and Vredenburg (1998) have found that innovation in such cases is encouraged. Since companies feel little threat to their economic well-being nor experience coercive regulations, they feel freer to innovate by attempting to find solutions that may improve environmental protection and profitability. Porter and van der Linde's (1995: p. 124) research has likewise found that firm-level innovation is encouraged when business interests participate directly in the development of regulatory policies. It is for these reasons that environmental groups often focus on influencing a firm's shareholders and consumers, because

these 'economic' stakeholders grant them the indirect influence that they could not obtain directly.

A different response occurs when business competes with social actors, especially environmental groups, for state attention (i.e., pressure-pluralist or corporatist policy networks exist). In these cases, firms are more likely to compromise or acquiesce to pressures from social interests, including environmental groups. While concerned with minimizing these pressures, firms are less likely to defy or manipulate. This is partly because the failure to address any concerns could result in more regulations, under which companies would be forced to change through a process of coercive isomorphism. However, all this makes it less likely that firms will innovate or be proactive in response to social actors in these types of networks – for fear of undertaking firm-level initiatives that might be ruled insufficient by state actors in the future. As Porter and van der Linde (1995: p. 121) have argued, 'Regulators tend to set regulations in ways that deter innovation.' Lippke and Oliver (1993) likewise have asserted that strict regulations in the forest sector can have the unintended effects of encouraging unsustainable forestry practices.¹⁹

There are special circumstances when a firm might be inclined to take proactive initiatives under a pressure-pluralist network. Although rare, such responses could occur when firms are confronted with a sustained barrage of pressure from economic, governmental, and social stakeholders, *and* when a discretionary non-legal regulatory style exists. When these conditions coincide, a firm might decide that the potential market and legitimacy benefits in taking a proactive stance outweigh the policy uncertainties that come with a pressure-pluralist network. However, it is even less likely that the same conjunction of factors would lead to a proactive firm response under a corporatist network. This is because the consensus-oriented approach of a corporatist policy network further inhibits innovative approaches. The 'veto for everyone' effect limits changes that deviate too far from the status quo, and encourages groups to minimize losses rather than offer proactive solutions (Hoberg, 1993a).

Overall, when a legal/non-discretionary regulatory style exists alongside pressure-pluralist and corporatist networks, it becomes even more unlikely that firms will offer proactive responses to external pressures. This is largely because firm officials fear that courts will strike down innovative ideas (rendering such actions useless and costly), or because a firm's time is spent fighting or complying with regulations, rather than on looking 'beyond the box' to innovative solutions. As Porter and van der Linde (1995: p. 128) have found, 'businesses spend too many of their environmental dollars on fighting regulation and not enough on finding real solutions' when operating under a non-discretionary/legalistic regulatory environment.

Accordingly, firms are most likely to acquiesce or compromise with economic pressures under pressure-pluralist and corporatist networks. Innovation is less likely because environmental and other social pressures make policy change uncertain. Indeed, the increased role of environmental groups under these networks means that economic actors are less likely to be the main source of

pressure (with the exception noted above that they may be used as a tool by environmental groups to force change).

Firm responses under state-directed networks will largely depend on the direction state officials have established.²⁰ Where a decision has been made to ‘reduce the regulatory burden,’ firms may be less likely to respond to environmental groups’ pressure. However, where the government has announced a review of corporate pollution, firms may take the opposite approach, actually inviting state actors to collaborate to devise firm policy, in order to avoid state intervention. Firms try to accommodate state officials’ interests when they know decisions may be taken that could affect firm operations. Regardless of the ultimate direction the autonomous state takes under a state-directed network, firms are reluctant to be innovative or take proactive measures because they are preoccupied with meeting the requirements of the state. Similar to the cases of pressure-pluralism and corporatism above, firms are hesitant to make significant changes that the state may require be repealed or modified.

Explanatory scheme

Drawing on this discussion and review of organization theory’s literature on ‘neo-institutional theory’ and our incorporation of political science’s neo-institutionalist work on policy networks and regulatory regimes, we offer the following hypotheses to guide comparative studies of firm responses to external pressures (Summarized in Table 1).

General hypothesis 1: Governance systems and corporate responses

The type of policy network and regulatory style (the ‘system of governance’) under which firms operate will largely determine the type of response firms make to external pressures from state officials, economic actors, and non-business societal interests.

Policy networks – business dominates policy-making process vis-à-vis other societal organizations

- P1 Under clientele-pluralist and concertation policy networks, a firm is likely to respond to pressures for change from economic interests by undertaking ‘acquiescent,’ ‘compromise’ or ‘proactive’ strategies. Adaptation and innovation are facilitated and normative isomorphism may occur.
- P2 Under clientele-pluralist policy networks, a firm is likely to respond to pressures for change from environmental groups, other societal actors and state officials by undertaking, ‘manipulation,’ ‘defiance’ and ‘avoidance’ strategies. Acquiescent and proactive/innovation responses are

Table 1. Systems of governance and predicted initial firm responses to external pressures.

	Policy network (state as actor)	Regulatory style (state as legal order)	
		Discretionary no legalism	Non-discretionary legalism
Business dominates vis-à-vis other societal interests	Clientele- pluralist	<ul style="list-style-type: none"> • <i>Economic actors</i> Accommodating, proactive • <i>Social actors</i> Negative • <i>State actors</i> Negative 	<ul style="list-style-type: none"> • <i>Economic actors</i> Accommodating, proactive • <i>Social actors</i> Negative • <i>State actors</i> Negative • <i>Courts</i> Negative
	Concertation	<ul style="list-style-type: none"> • <i>Economic actors</i> Accommodating, proactive • <i>Social actors</i> Negative • <i>State actors</i> Accommodating 	<ul style="list-style-type: none"> • <i>Economic actors</i> Accommodating, proactive • <i>Social actors</i> Negative • <i>State actors</i> Accommodating • <i>Courts</i> Negative
Industry competes with social actors for state attention	Pressure pluralist	<ul style="list-style-type: none"> • <i>Economic actors</i> Accommodating, proactive • <i>Social actors</i> Accommodating • <i>State actors</i> Accommodating 	<ul style="list-style-type: none"> • <i>Economic actors</i> Accommodating • <i>Social actors</i> Accommodating • <i>State actors</i> Accommodating • <i>Courts</i> Accommodating
	Corporatist/ consensus	<ul style="list-style-type: none"> • <i>Economic actors</i> Accommodating • <i>Social actors</i> Accommodating (compromise) • <i>State actors</i> Accommodating (compromise) 	<ul style="list-style-type: none"> • <i>Economic actors</i> Accommodating • <i>Social actors</i> Accommodating (compromise) • <i>State actors</i> Accommodating (compromise) • <i>Courts</i> Accommodating, negative
	State directed	<ul style="list-style-type: none"> • <i>Economic actors</i> Accommodating • <i>Social actors</i> Depends on position of state officials • <i>State actors</i> Accommodating 	<ul style="list-style-type: none"> • <i>Economic actors</i> Accommodating • <i>Social actors</i> Depends on position of state officials • <i>State actors</i> Accommodating • <i>Courts</i> Accommodating

For the purposes of this table, the categories detailed in the explanatory section have been collapsed into the following: Proactive = proactive; accommodating = compromise, acquiesce; negative = avoid, defy, manipulate.

unlikely in the short term. Proactive and innovation responses may occur in the medium to long term, but only in two cases:

- 1) when environmental groups cause a firm's economic stakeholders to exert pressure (usually through the use of highly publicized boycott campaigns) or;
 - 2) when firm officials believe actions *must* be taken to avoid changes in the existing system of governance
- P3 Under concertation policy networks, firms are likely to respond to pressures for change from state officials by undertaking 'acquiescent,' 'compromise' or 'proactive' strategies. Adaptation and innovation can be facilitated and normative isomorphism may occur.

Policy networks – business competes with other societal organizations for state attention

- P4 Firms operating under pressure-pluralist and corporatist policy networks are likely to respond to pressures for change from economic interests by using 'acquiescent' or 'compromise' strategies. Adaptation and innovation is less likely, particularly under corporatist policy networks, because attention is on limiting policy change proposed by other societal actors.
- P5 Firms operating under pressure-pluralist and corporatist policy networks are likely to respond to pressures for change from environmental groups and state officials by undertaking 'acquiescent' or 'compromise' strategies. Pro-action under pressure-pluralist networks is possible, but usually limited to situations in which the firm faces concurrent pressures from economic, social and state interests, and where the regulatory style is not highly litigious.
- P6 Firms operating under state directed networks are likely to respond to pressure for change from state agencies economic interests and environmental groups by undertaking 'acquiescent' or 'compromise' strategies. Avoidance, defiance, and manipulative strategies are possible with respect to environmental groups, but only if the state has given clear indications that it will not increase regulatory initiatives.
- P7 Firms operating under state directed networks, are likely to respond to pressure for change from state actors through accommodation strategies. Avoidance strategies are virtually impossible due to the strength of the state. A proactive approach is unlikely, because with state dominated policy networks, business has a very limited role in helping to shape regulations.

Regulatory styles

- P8 The existence of a non-discretionary/legalism regulatory style will reduce the likelihood of innovative/proactive strategies being taken by individual

firms in response to external pressures. Firms will tend to focus their efforts fighting existing burdensome regulations, as well as fending off efforts to increase regulatory pressure.

- P9 The existence of a non-discretionary/legalism regulatory style adds the role of the courts as an additional arena of state activity and potential policy creator. Such a setting increases the likelihood of firm acquiescence and decreases the likelihood of firm proaction/innovation.
- P10 The existence of a discretionary/no legalism regulatory style facilitates a firm's choice to take a proactive/innovative strategy.

Illustrating the model

We illustrate the potential of the model by reviewing the experiences of three North American forest companies in the mid-1980s to mid-1990s, all of which were forced to address external pressures for sustainable forestry management. The companies examined are Canfor Corporation in BC, focusing on pulp mill effluent and forest management issues; Alberta-Pacific, which owns and operates a pulp mill in Boyle, Alberta, and manages a large tract of Boreal forest that provides the mill its fibre; and Macmillian-Bloedel in Alabama, focusing on its Pine Hill paper and sawmill operations. These companies were chosen because as of the mid-1980s, they all operated under clientele-pluralist forest policy networks, and experienced only limited governmental regulations. However, in the decade to follow, they each experienced varying degrees of external pressures that led to divergent responses (Table 2).

Canfor

Canfor is a British Columbia-based forest products company specializing in pulp and paper and wood products. It harvests timber from publicly owned forestlands through timber licence agreements, which give the company forest management responsibilities, in exchange for a secure supply of fibre. When the company was first the target of external demands to improve its sustainable forestry management in 1985, it operated under a governance system marked by clientele-pluralist networks and a discretionary/non-legalistic regulatory regime (Cashore, 1997; Wilson, 1990). Pressure for change came exclusively from 'social' stakeholders, as organized environmental interests and citizen groups targeted Canfor for logging in old growth forests and for its pulp mills' air pollution (Raizada, 1998: p. 163)

The company's initial response was to avoid and defy these social pressures, just as the model argues can be expected under a clientele-pluralist policy network. Canfor avoided the issues by arguing that old growth protection would have serious, negative consequences on the provincial forest economy. As well, Canfor sought to defy (dismiss) the criticism by asserting that its

Table 2. Firm-level responses to external pressures.

	Source	Policy network	Regulatory style	Response
<i>Time 1 (Initial reaction)</i>				
Canfor	<ul style="list-style-type: none"> • <i>Social actors</i> Environmental groups; media 	<ul style="list-style-type: none"> • <i>Business dominates</i> Clientele-pluralist 	Non-legal/ discretionary	<ul style="list-style-type: none"> • <i>Negative</i> Avoid Defy (dismiss) Manipulate
Alpac	<ul style="list-style-type: none"> • <i>Social actors</i> Environmental groups; media 	<ul style="list-style-type: none"> • <i>Business dominates</i> Clientele-pluralist 	Non-legal/ discretionary	<ul style="list-style-type: none"> • <i>Negative</i> Avoid Defy (dismiss) Manipulate
MB-Pine Hill	<ul style="list-style-type: none"> • <i>Economic actors</i> Business Association 	<ul style="list-style-type: none"> • <i>Business dominates</i> Clientele-pluralist 	Non-legal/ discretionary	<ul style="list-style-type: none"> • <i>Accommodating</i> Normative Acquiescence • <i>Proactive</i>
<i>Time 2 (When initial response fails)</i>				
Canfor	<ul style="list-style-type: none"> • <i>Social actors</i> Environmental groups • <i>Economic actors</i> Media Wholesalers, purchasers, consumers 	<ul style="list-style-type: none"> • <i>Business dominates</i> Clientele-pluralist 	Non-legal/ largely discretionary	<ul style="list-style-type: none"> • <i>Accommodating</i> Normative Acquiescence • <i>Proactive</i>
Alpac	<ul style="list-style-type: none"> • <i>Social actors</i> Environmental groups 	<ul style="list-style-type: none"> • <i>Business dominates</i> Clientele-pluralist 	Non-legal/ discretionary	<ul style="list-style-type: none"> • <i>Accommodating</i> Normative Acquiescence • <i>Proactive</i>
<i>Time 3 (Changes in system of governance)</i>				
Canfor	<ul style="list-style-type: none"> • <i>Social actors</i> Environmental groups; media • <i>Economic actors</i> • <i>Government actors</i> State; markets 	<ul style="list-style-type: none"> • <i>Business shares influence</i> Pressure pluralist Corporatist 	Non-legal/ mixed discretionary	<ul style="list-style-type: none"> • <i>Accommodating</i> Compromise with government Acquiesce to environmental groups

harvesting methods were environmentally sustainable.²¹ Meanwhile, Canfor used its close relationship with state officials to avoid (escape) meeting pollution level targets by proposing management plans that allowed high sulphur pollution levels to continue (ibid.: p. 164). The non-legal/discretionary regulatory style posed little threat that the courts would require Canfor to meet these targets (Hoberg, 1993b). Canfor was not compelled to alter its strategic response and internal policies as a result of these avoidance and defiant strategies.

In 1987, Canfor's Howe Sound pulp mill air pollution came under increased attention from media outlets, organized environmental groups, and local citizens, who jointly argued that Canfor should at least meet its permit requirements (Raizada, 1998: p. 165).²² Fitting within the range of responses predicted by the model, Canfor added 'manipulation' strategies to its previous defiance and

avoidance techniques, holding a series of public meetings for the express purpose of resisting these pressures. This time, these ‘negative’ responses did not reduce public pressure, and the company was losing public credibility. Government officials were compelled to respond, and environmental groups threatened to launch an international boycott campaign, which raised the probability that economic stakeholders would become involved (Raizada, 1998). The hypotheses above predict that a firm’s will move from its initial ‘avoidance’ strategies under a clientele-pluralist network under two scenarios: when either its economic stakeholders are pressuring for change and/or it appears as if the system of governance is in jeopardy.

Both of these scenarios occurred simultaneously during this time, and Canfor’s response supports the model – the company took proactive measures in response to social pressures. Canfor stopped defending its level of pulp mill pollution, and announced that it would build an environmentally friendly, modern pulp mill. CEO Peter Bentley promised that the project would ‘enable us to deal completely with the environmental problems that we have been working on for a long time’ (Raizada, 1998). Canfor’s Vice Chairman acknowledged the role of external pressure in forcing this change:

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

These firm-level changes in strategic responses permitted Canfor to maintain the clientele-pluralist network and discretionary legal setting under which it operated, by making a choice that was both environmentally and economically sound.

Just as Canfor ‘successfully’ addressed air pollution concerns from external pressures, its pulp mill water pollution became a provincial, national, and international issue.²³ Canfor was singled-out by environmental groups when, in November 1988, dioxins discovered in the shellfish near Canfor’s Howe Sound mill closed down the shellfish industry in the area. Canfor’s clientelist relationship with provincial regulatory agencies was again showing signs of stress and a series of new regulations and fines governing pulp mill pollution were announced.²⁴ Revisions were made to the Federal Pulp and Paper Effluent Regulations as new international boycott campaigns were plotted.

Canfor responded to these pressures in April of 1989 with innovative measures, creating a new position of Vice President, in charge of environment and energy, and introducing its new, wide-ranging environmental policy.²⁵ Corresponding with the model, this move from defiance and manipulation to innovation and proaction happened as a complete change in the policy network and regulatory regime appeared imminent. The firm was spurred by the threats of social interest groups toward its economic stakeholders, and by the desire to

maintain clientele-pluralist relationship with government agencies. With these innovative responses, Canfor maintained its co-operative clientelist relationship with provincial and federal regulatory bodies.

The Canfor case up until 1991 indicates empirical support for the model's hypotheses regarding the character of strategic responses in clientele-pluralist networks and a discretionary/non-legal regulatory regime. As the model predicts, Canfor at first avoided, defied and manipulated pressure from external social actors, but when social actors sustained their pressure and economic stakeholders became involved, innovation and adaptation occurred. Post-1991 changes in the system of governance under which Canfor operated permits us to illustrate firm responses when they must share influence in the policy-making process with environmental groups and other social actors. The system of governance changed in BC when many clientele-pluralist forest policy networks crumbled after the province's social democratic party gained power in the 1991 provincial election (Cashore, 1997; Wilson, 1998).²⁶ Pressure-pluralist, concertation, and state-directed networks emerged amidst an increasingly complex regulatory style (although with only limited legalism).

The new government quickly moved to revise pulp mill pollution regulations. Environment Minister John Cashore announced the government would introduce strict regulations to reduce pulp mill effluent.²⁷ The federal government was also considering its own pulp mill regulations. Canfor seized on this overlapping of provincial/federal jurisdiction to argue that British Columbia should cede authority to the federal government, which was considering less stringent regulations and which, unlike provincial policy networks, was clientele-pluralist in composition.

Canfor sought to compromise with British Columbia government officials, as the above model predicts will happen under a pressure-pluralist network. It did not argue against environmental regulations per se, but pointed out the fact that the proposed provincial AOX regulations would *not* improve the environment:

The provincial requirement to completely eliminate AOX discharge in mill effluent by December 31, 2002 ... [will cause] ... very substantial expenditures which cannot be justified on environmental grounds (Canfor Corporation, 1992).

Canfor was now taking a role of compromiser, hoping to minimize pressure from government officials – far from the proactive stance it took under the previous clientele-pluralist network.

As Canfor sought to compromise with the BC government on its pulp mill regulations, a new European environmental campaign began to increase the awareness of the presence of dioxins and furans in Canadian pulp and paper products. Greenpeace Germany garnered support from leading German publishers to demand alternatives to chlorine bleached pulp (Globe and Mail, July 9, 1993: p. 3). Canfor presently faced a situation in which government, social and some economic actors were all pressuring not only Canfor, but the

entire BC industry for change. As world opposition to chlorine bleached pulp grew, international attention expanded to include forest practices and old growth preservation (Cashore, 1997).²⁸ Canfor faced pressure on a number of fronts: pulp mill pollution, the new government's promise of a Forest Practice Code, and old growth wilderness protection issues. In line with the model, Canfor recognized the changes in forest policy networks and did not fight either the Code, or increased wilderness preservation (contrary to its initial mid-1980s stance). Instead, Canfor bargained by advocating the type of Code it would like and participated in land-use processes with other organized interests, including environmental groups.

Canfor took a series of decisions during this time that range from normative 'green' value changes to proaction and innovation. For example, the company announced that it would 'lead the way' in investing in alternative bleaching processes for the express purpose of meeting 'the rapidly expanding demand in Europe for pulps bleached without the use of elemental chlorine or any chlorine compounds.'²⁹ This approach was also taken on the sustainable forestry issue, which was dominating domestic and international attention. To pacify and address the concerns of their customers in Europe, Canfor held information sessions and explained changes they made (Raizada, 1998: p. 191). In response to the impending BC Forest Practices Code, Canfor developed its own 'Forest Practices Compliance Policy' (Raizada, 1998: p. 205). Similarly, Canfor took a strong interest in sustainable forestry certification efforts.

Such proactive responses are hypothesized to occur infrequently under non-business dominated policy networks. However, the conditions for such responses were present. Canfor faced concurrent pressures from economic, social and state interests, amidst a regulatory style that was not highly litigious. The absence of a proactive response to these economic and social pressures might have led to more stringent regulations. Canfor's responses also illustrate how a firm may respond to external pressures on the same issue at the same time in different ways. While Canfor took innovative responses to environmental group and economic pressures, it compromised with the BC government by showing regulators that firms can proactively address environmental protection issues without increasing the regulatory burden.

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

Alberta-Pacific

Alberta-Pacific is a forest products company that operates a pulp mill near Boyle in Northern Alberta, and manages a surrounding area of boreal forest

the size of New Brunswick. In the late 1980s the company was established as a joint venture among Japan's Mitsubishi and Honshu Paper corporations and British Columbia's Crestbrook Industries.³⁰ The creation of Alpac can be traced back to the Alberta government's decision in the mid-1980s to diversify Alberta's economy, which is heavily dependent on the oil and agriculture sectors (Pratt and Urquhart, 1994).³¹ The Alberta government offered an array of financial incentives, including low stumpage rates and low interest loans, for harvesting rights to large tracts of boreal forest through a Forest Management Agreement (Reinhardt, 1994). In the winter of 1988 Alpac, led by Crestbrook managers, had become a serious contender to build the mill. Environmental organizations began to scrutinize this project and a new group, Friends of the Athabasca, formed not to stop, but to focus efforts 'against bleached kraft mills, and the chlorinated organics, especially dioxins and furans that they produced' (Pratt and Urquhart, 1994: p. 166). Before it was even awarded the harvesting licence, Crestbrook took a 'defiance' approach, dismissed such criticism and defended its 'strong environmental record' (ibid.).

In December 1988, the provincial government chose Alpac's bid for the rights to harvest timber and build a pulp mill. The policy network at this stage is best described as clientele-pluralist because the government depended on industry to participate in its diversification scheme and provide long-term economic productivity and growth. The regulatory style was largely discretionary/non-legalistic.³² However, two hurdles remained before the mill could be built: an environmental impact assessment (EIA) process was required under provincial statutes, and a Forest Management Agreement (FMA) was to be negotiated.

Both hurdles were deemed a formality by both the Alberta Ministry of Forests and Crestbrook officials (Pratt and Urquhart, 1994: p. 176). Construction of the mill was planned for the spring of 1989. However, concerns about the environmental impact of such a mill came from local environmental groups and some aboriginal peoples located near the proposed pulp mill.³³ The urban population and media in Edmonton and Calgary increased their scrutiny of the proposed development.³⁴

Alberta-Pacific response to these pressures supports the model's predictions that industry will initially avoid, defy or manipulate external demands from social stakeholders under a clientele-pluralist and non-legal/discretionary provincial regulatory regime. Indeed, Alberta Ministry of Forest officials assisted Alpac's strategy of 'avoiding' these external pressures by limiting the nature of public influence. The public was excluded from discussions over the FMA agreement (Reinhardt, 1994: p. 13) and the EIA excluded forest practices from its purview, focusing scrutiny on air and water pollution concerns. However, the Alpac/Alberta Ministry of Forests strategy was not entirely successful owing to unforeseen legal issues. A Canadian high court ruling nullified a 1986 Alberta/Canada agreement over application of EIA rules. The result was an expanded EIA that included federal government officials, and a longer and more detailed review process (Pratt and Urquhart, 1994). These changes opened the door to increased scrutiny. Numerous briefs were submitted to the EIA

panel suggesting that the mill was proceeding before the scientific data had been collected, indicating widespread concern that existing plans could result in contaminated drinking water and damage to the fishery. Crestbrook took a defiant stance. Its president publicly complained that the delay was increasing the cost of the project by \$166 million and denounced the EIA process as unwarranted: 'I feel uncomfortable that we've had to lower ourselves to the public hearing process ... I think the criticism is a disgrace.'³⁵ Finally, in March 1990, the EIA review process panel did something industry and Ministry of Forest officials never anticipated – it recommended that the Alberta-Pacific pulp mill 'should not be approved at this time' (Pratt and Urquhart, 1994: p. 188), citing uncertainty over the effects of chlorinated organics and dissolved oxygen. The panel recommended further scientific study to see 'if the mill could proceed without serious hazard to life in the river and for downstream users' (ibid.: p. 189).

The structure of the clientele-pluralist network appeared in jeopardy of collapsing, as did a change in the regulatory environment. Consequently Alpac officials changed their initial negative response and compromised with external social pressures. Alpac proposed a new mill design in the summer of 1990 that would 'satisfy the review board's primary worries regarding chlorinated organics' by proposing to bleach pulp without using chlorine gas' (Pratt and Urquhart, 1994: p. 193). With the clientele-pluralist network still in tact, Alpac and Alberta government officials announced the establishment of a more limited review process to look at the technical feasibility of Alpac's solution, as well as review the first negative EIA. The second review was favourable, and paved the way for the Alberta government to announce that it was giving approval to the mill.

At this point the Alpac story illustrates how firms will initially avoid and defy external pressures when operating in a clientele-pluralist network, but will compromise when faced with potential changes in the governance system. However, the post-1990 Alpac story to follow shows how, in the same network structure, firms will take proactive decisions when economic stakeholders become involved, and when firms feel wholesale changes in the governance system. With the two main hurdles cleared for construction of the mill to begin, Alpac officials took stock of what had transpired to get this far in Alberta, as well as looking at the experience of forest companies operating in BC (which included Crestbrook's own experiences). Two lessons were learned: 1) BC companies were historically slow to adapt to environmental and ecosystem concerns, and 2) this slowness to adapt eventually led to an overly burdensome regulatory process in BC in the early 1990s. A senior Alpac official elucidated these sentiments:

We have a big new land base that gives us some flexibility. We want to introduce new forestry techniques, and show people that we're doing environmentally sound forestry. In BC, there was never a plan for forest management. 'Forest planning' just meant 'fibre extraction.' We have to abandon that kind of thinking. The industry did a lot of things wrong in BC; 'here, we have a chance to do it right' (Reinhardt, 1994: p. 15).³⁶

Alpac officials were also aware of economic opportunities and pressures. There was a potential price premium for green pulp products in Europe and proactive efforts in Alberta might help Mitsubishi, as one of the parent companies, to successfully address the sustained boycott campaign by the San Francisco-based Rain Forest Action Network (Pratt and Urquhart, 1994: p. 170).

The result was Alpac's decision to take innovative and proactive steps with respect to public involvement in the forest planning on Alpac lands: the organization of employees using a co-operative 'team' approach; the hiring of wildlife biologist and ecological experts; and the adoption of 'ecosystem management' on its forest lands (Alberta-Pacific Forest Industries, 1998; Stuart-Smith and Rabik, 1996). Alpac's research focused on the ways in which harvesting could replicate natural forest fire disturbances, and on monitoring a number of wildlife indicators. Unlike most other forest companies, Alpac has developed policies and procedures that it intends to use as a basis for attaining forest certification through existing provincial, national and international certification programs. Indeed, these steps were so highly innovative vis-à-vis other forest companies, that other members of the forest products industry in Alberta, and government officials criticized Alpac for 'going too far' (Reinhardt, 1994: p. 19; Stuart-Smith and Rabik, 1996: p. 9).³⁷ In turn, Alpac criticized other Alberta forest companies for using only rhetoric in their claims of implementing ecosystem management.³⁸ Reinhardt (1994) notes that Alpac has consistently discharged far less pollution than its licence permits (contrary to Canfor's experience in the 1980s).³⁹

These proactive responses fit within the model, as they were made within a system of government characterized by its clientele-pluralist network and overall non-legal discretionary regulatory style. Key officials noted that British Columbia's regulatory environment would not have given Alpac the flexibility it needed in establishing ecosystem management (personal interviews). At the same time, the clientele-pluralist network resulted in low stumpage rates, which gave Alpac officials a degree of financial room to manoeuvre unavailable to other companies. Far from being undertaken in a coercive manner, and unlike its initial response to public scrutiny, Alpac officials have indicated that they believe that its operations are far better today because of public scrutiny (Reinhardt, 1994: p. 19).⁴⁰

MacMillan Bloedel, Pine Hill

MacMillan Bloedel, Pine Hill is part of MacMillan-Bloedel Packaging, a subsidiary of British Columbia-based MacMillan-Bloedel Ltd. MB Pine Hill operates woodlands, wood products and pulp and paper divisions and employs 900 individuals (MacMillan Bloedel Pine Hill, Undated). The history behind the establishment of MB's Pine Hill operations in the 1960s is similar Alpac's origins in the 1990s. MB was lured to the area by low taxes, loan guarantees and an abundance of fibre from its own and nearby private woodlots (Walkingstick, 1996: chapter 4).⁴¹ A key difference from Canfor and Alpac's environ-

ment is that timber land in the U.S. South is 95 percent privately owned, the inverse of British Columbia's and Alberta's share. In addition, virtually all of the forest land is second, third, or even fourth growth (Hyde and Stuart, 1998), essentially removing the debate over old growth preservation from Alabama forest politics (Parfitt, 1998). Forest policy networks in Alabama are best captured by the clientele-pluralist category. In many cases government officials do not dictate policy to the forest sector or individual companies, and when problems occur, solutions are found through voluntary initiatives (Alabama Forestry Commission, 1993). Indeed the Alabama Forestry Commission, the 'lead agency for forestry in Alabama' is 'not an environmental regulatory or enforcement agency' (ibid.: p. 1), but '[avoids] environmental problems through voluntary application of preventative techniques' which it argues is 'much less expensive, more cost effective and practical than restoration after the fact' (ibid.).

The effects of U.S. environmental/forest-oriented statutes on the Alabama regulatory environment is contrary to analyses in other parts of the country and other sectors – the forestry regulatory style in Alabama is largely discretionary/non legalistic. Unlike in Oregon and Washington, a *Forest Practices Act* has not been established in Alabama. Federal legislation such as the *Federal Water Pollution Control Act*, the *Clean Water Act*, the *Water Quality Act* and the *Coastal Zone Management Act*, as well as the *Alabama Water Pollution Control Act*, do apply to forest practices that affect water quality, but their implementation in Alabama is conducted through the establishment of voluntary 'Best Management Practices' (Alabama Forestry Commission, 1993; Brinker, 1997).⁴²

To date, unlike Canfor and Alpac's experiences, MB Pine Hill has not experienced sustained pressure from organized environmental groups, although it noted in the mid-1990s a change in public values and attention over forest stewardship issues (Walburn, 1997b).⁴³ Instead, the MB Pine Hill experience illustrates the role of a firm in a clientele-pluralist network that experiences external pressure from its own forest industry association. External pressure came from the American Forest and Paper Association (AFPA) to implement its newly developed Sustainable Forestry Initiatives (SFI). The SFI contains a detailed list of measures to implement sustainable forestry among its member organizations, and was developed in response to two sources of pressure. The first was increased domestic scrutiny of forest company practices in the U.S. (much of which was focused in the U.S. Pacific Northwest, California, and New England). The second was in response to other international forest certification efforts, such as the World Wide Fund for Nature-backed Forest Stewardship Council (FSC) Certification System (Personal interviews, Hansen, 1998: p. 18).⁴⁴ The AFPA has noted several difficulties in implementing the FSC system (American Forest and Paper Association, 1993) and proactively developed SFI because it believed it was a more viable alternative, and kept control in the hands of the industry.

MB Pine Hill's response was as the model predicts 'it responded to industry pressures in a proactive fashion, through 'normative isomorphism.' Indeed, MB

Pine Hill noted that many of the SFI requirements had long been in place in Pine Hill (Perpetual Harvest, 1997) and that it was actively streamlining its policies to fit those of SFI. The woodlands manager noted in his corporate journal that, 'doing the right thing – to protect wildlife, water quality and special woodland sites, to lessen the incidence and impact of clearcutting and to reforest promptly...' is why MB supports the Sustainable Forestry Initiative (Perpetual Harvest, 1997). Although it is difficult to separate public relations from value changes, and even further the effects of value changes on environmental performance, it is worth noting that an internal Pine-Hill document reveals little doubt that adherence to SFI was believed to be more than simply a public relations strategy. In an inter-office memo the Director of MB's Pine Hill operations outlined changes to its Forest Land Stewardship policies in order to incorporate SFI objectives. In the memo, he highlights the importance of these changes:

Adherence to the guidelines set forth will ensure forest practices that are silviculturally, environmentally, and economically sound. They will further ensure the sustainability of our forest resources and protection of the environment for future generations. It is important that each of us understand and implement the intent and spirit of these policies (Walburn, 1997a).

In this case, the combination of a 'hands off' clientele-pluralist policy network and a relatively uncumbersome regulatory regime produced a governance system in Alabama that facilitated MB Pine Hill in acquiescing, and even adopting a proactive response to external demands from one of its key economic stakeholders – its own industry association. Arguably the same response would not have taken place in a highly regulated litigious environment where corporations are more focused on 'bomb proofing' their policies from legal attacks, rather than developing innovative solutions.⁴⁵ Of course, without environmental groups' pressure in other states, the shift in industry wide norms, to which MB responded, may have never occurred.

Conclusion

Incorporating political science's policy network and regulatory regime literature into organization sociology's neo-institutional literature permitted the development of a model that appears to more accurately explain firm responses to external pressures. Intra-sectoral firm differences can be traced not only to differences in the source of external pressure, but the way in which the system of governance influences/constrains the types of response a company will consider. The model offered is far from deterministic – it allows for a wide degree of choices even within the constraints of the particular governance system, and it notes that initial responses to external pressures are often different from longer-term responses when a firm undergoes sustained and unrelenting pressure. The

model's attraction is in how it highlights the boundaries of choices that governance systems create. The three firm-level illustrations show preliminary support for this model. We anticipate further research will examine the role of companies that first experienced external pressures when they were operating in pressure-pluralist or other non-industry dominated policy networks, as well as research that compares firms operating in the same sector in the same region.

This model permits social scientists to study the interface between the public policy-making process and private firm-level policy choices, a crucial area of research in an era of the shrinking state. By treating regulatory and state societal relations more thoroughly, the model helps explain what at first appear to be contradictory findings within current organization sociology literature. For example, some studies have found that 'firms will acquiesce when institutional pressures are in the form of legal coercion' (Jennings and Zandbergen, 1995); while other research uncovered that 'greening' and 'innovation' tend to occur when firms are not burdened with difficult and bureaucratic regulatory requirements (Vertinsky and Zietsma, 1998).⁴⁶ The model explicitly theorizes that both findings may be accurate, and that coercive legalism in a non-business dominated policy network will result in a high degree of compliance, but that at the same time innovation and/or greening is discouraged. Recognizing this inverse relationship is important for policy makers: those who want to encourage corporate innovation and proaction may take different policy choices than those who are focused on achieving a certain level of corporate compliance. Sharma and Vredenburg's research findings are telling in this regard. They assert that corporate 'greening' is encouraged through a combination of 'raising the bar' only to a certain level, to encourage some firms to go beyond existing regulations and innovate. Sharma and Vredenburg extrapolate from this that innovative firms' actions will in turn have the effect of 'pulling up' more reluctant firms through mimetic isomorphism and voluntarism (Sharma and Vredenburg, 1998: p. 34). However, more research has to be done to confirm this hypothesis, as well as the potential for weak regulations amidst a business dominated policy network to 'push down' certain firms.⁴⁷

Accordingly, we envision that future research using the model outlined above may assist policy makers advising governments about the most appropriate policy tools for different goals. More work has to be done to understand the important relationship between governance systems and firm responses, and the effects of firms' responses on environmental performance and greening.⁴⁸ Organization sociologists and business management scholars cannot afford to gloss over the role of the state. Similarly political scientists who study public policy need to expand their research agenda to better understand the importance consequences public policy-making can have on private sector choices.

Notes

1. The authors would like to thank Rachana Raizada for her research on the Canfor case presented in this study. We are grateful to Charlene Zeitsma, Jeremy Wilson, Gerard Boychuck, Donna Krejci, Mark Dubois, Ken McNabb and two anonymous referees for comments on a previous version of this paper. Financial support for this research was provided by the National Centres of Excellence, Sustainable Forestry Program; Industry, Trade & Economics, Canadian Forest Service – Pacific Forestry Centre; Natural Resources Canada; the University of British Columbia's Hampton Fund; and the Alabama Agricultural Experiment Station.
2. See for example, Kettle (1994), Goddard and Riback (1998), Schachter (1997), Cole (1997) and Wilson (1994).
3. See DiMaggio and Powell (1991a; 1991b), Powell and DiMaggio (1991), Greening (1992), Greening and Gray (1994), Jennings and Zandbergen (1995), Oliver (1991); Scott (1987; 1995), Zucker (1983; 1987; 1991).
4. Within political science, three approaches have emerged under the banner of neo-institutionalism: public choice, organization theory and historical institutionalism. Due to its emphasis on institutions as mediating social conflict, this paper draws on historical institutionalist insights (see for example, Hall, 1986; Skocpol, 1986; Steinmo, Thelen, and Longstreth, 1992).
5. Extant research has revealed divergence firm-level responses, even within the same sector includes. See, for example, Sharma (1998), Sharma and Vredenburg (1998) and Raizada (1998).
6. Oliver also offers a range of tactics a company may choose under each strategy that it adopts. Manipulation strategies involve tactics to co-opt, influence or control external pressures; defiance involves dismissing, challenging, or attacking; avoidance results in concealing, buffering, or escaping; compromise involves balancing, pacifying or bargaining; while acquiescent strategies entail habit, imitation or compliance tactics.
7. Original institutional theory (Selznick, 1957) allowed for leader choice, but neo-institutional theory does not.
8. Failure to highlight the key place of the state led one study (Greening and Gray, 1994) to emphasize the role of environmental groups and the media in creating coercive isomorphism, ignoring the role of the state altogether. Other applications, such as that by Jennings and Zandbergen (1995) did note the primacy of the legal/legislative setting, but failed to explicitly theorize or distinguish the importance of different types of policy networks.
9. Policy network practitioners were unhappy with broad cross-national studies (see for example Gourevitch, 1986; Katzenstein, 1978) that failed to uncover or explain important intra-national differences.
10. A large and diverse literature on policy networks and policy communities has been developed by political scientists in the 1990s, especially in Europe and Canada (see, for example, Bressers and O'Toole, 1998; Jordan and Schubert, 1992; Marsh and Rhodes, 1992). These scholars employ different conceptions of policy networks. For clarity, this paper refers only to the definition Atkinson, Coleman and Skogstad have used in their various treatments reviewed below.
11. See Atkinson and Coleman (1989) and Coleman and Atkinson (1988; 1990; 1991). This school was inspired by the Lindblom's (1977) criticism of traditional interest group theory (Dahl, 1961).
12. Why some networks or durable and others change has been the subject of intense scrutiny. Cashore (1997) has found that explanations for network change and durability can be traced back to the character of macro-political systems, governmental elections, and statutory regimes. For this paper we simply label existing networks according to the noted criteria, rather than detailing reasons for their structure.
13. Under Coleman and Skogstad's definition, clientele-pluralist and concertation networks could conceivably exist in cases where non-business interests represent the societal organization. For this essay, we limit our definition to cases where business dominates.
14. Since legalism can encourage cooperation, we disagree with traditional conceptions of cross-country differences in environmental policy making that treat legalism as contrary to a

consensus approach (e.g. Hoberg, 1992a). Likewise, we take exception to Jennings and Zandbergen's (1995: p. 1029) that 'in a societal field, the framework for governance is either market based or command and control.' In the United States especially, market based incentives often exist alongside a highly litigious system.

15. The societal field refers to such pressures as the 'nation state,' 'social movements' and 'innovations among sets of organizations' (Jennings and Zandbergen, 1995) while the organizational field is defined as 'those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resources and product customers, regulatory agencies, and other organization that produce similar services or products' (DiMaggio and Powell, 1991b: p. 64–65).
16. Workers and their unions hold overlapping positions in the economic and social categories. They are in the economic category insofar as they work to achieve high wages and improve working conditions in their individual firms. When sector wide and inter-sector unions join forces to influence public and corporate policy change that transcend individual self-interest issues, we place them within the social category.
17. For example, Wilson (1990) has found that for most of the 1970s and 1980s British Columbian environmental groups' efforts to influence business-dominated forest policy networks met with limited success. Although most efforts were focused on the policy-making process, few individual firms responded with proactive let alone acquiescent strategies.
18. For example, the timber industry responded to court rulings over the Northern Spotted Owl by attempting to exempt this species from the Endangered Species Act (Davis, 1992). The industry also called for changes to the *Endangered Species Act* and the *National Forest Management Act* (Bonnert and Zimmerman, 1991; Northwest Forestry Association, 1994).
19. Lippke and Oliver (1993) argue that 'extreme regulations may inhibit investment in silvicultural operations and cause landowners to avoid thinning and to harvest stands early. For example, some owners may do so to prevent spotted owls from occupying their stands – which prevents timber harvest and resultant income.'
20. The nature of party politics, the degree of stability in the party system, and the ideology of the governing party are all key factors to understanding policy choices under a state-directed network.
21. Raizada (1998: p. 163) notes Canfor argued that it had a long-established commitment to reforestation and wildlife.
22. The Vancouver Sun reported during this time that the company had never been charged with its failure to comply with the original 1978 BC waste management permit for the mill, despite consistently exceeding agreed upon levels (Vancouver Sun, December 14, 1987).
23. Both Greenpeace and the US Environmental Protection Agency released data in 1987 showing that pulp mill effluent contained traces of dioxin, a toxic organochlorine (Raizada, 1998). Canfor's pulp mill operations were now part of a general province wide anti-effluent campaign which included Greenpeace Canada, the BC-based Sierra Club, the West Coast Environmental Law Association and the Western Canada Wilderness Committee, which were part of a larger international effort by Greenpeace and the World Wildlife Fund in Europe (Raizada, 1998: p. 167; Stanbury, 1993). The campaign was boosted by a 1988 study showing that most pulp and paper mills in BC were not in compliance with 1971 federal Pulp and Paper Effluent Regulations.
24. In May 1989 the provincial Ministry of the Environment (MOE) announced new regulations to control the discharge of organochlorines. Regulations governing the use of BOD and TSS in pulp mill effluent was tightened, requiring all mills to have a system of secondary treatment. Moreover, MOE began to flex its regulatory muscle, increasing fines for violations of the *Waste Management Act*.
25. The Environment and Energy department was to perform environmental audits of all the company's operations to determine how well the operations were complying with regulatory requirements, and corporate standards and policies (Raizada, 1998: p. 178). Canfor also set the goal to reduce wood waste at its forestry operations by 50 percent. Canfor promoted its new positions and environmental policy, arguing that it had again made changes in response to the

- public. It also sought to accommodate Greenpeace through meetings and seminars (Raizada, 1998: p. 179).
26. The BC New Democratic Party was elected government in October 1991.
 27. The regulations would focus on organochlorines in pulp mill effluent (measured through AOX).
 28. International attention culminated at the 1992 Earth Summit in Rio de Janeiro, which also helped pave the way for the creation of forestry certification schemes such as the Forest Stewardship Council (Bernstein and Cashore, forthcoming).
 29. Quoted in Raizada (1998: p. 188) The Howe Sound mill became the first kraft mill in North America to complete successfully a full-scale mill trial of completely chlorine-free bleached softwood kraft market pulp (*ibid.*).
 30. Honshu later withdrew and Kanzaki Paper Canada Inc. came on as a third partner.
 31. Then Premier Don Gherty wanted to expand the forest sector into Alberta's publicly-owned northern boreal forest, which had remained virtually untouched by industrial activity (Reinhardt, 1994).
 32. Alpac officials note that their relationship with government officials is non-confrontational and that they rarely are subject to detailed criticism or scrutiny from provincial officials (personal interviews).
 33. Most rural communities strongly supported the mill, as did key aboriginal representatives.
 34. Key officials in the province's Ministry of Environment also raised concerns, but their Ministry was peripheral to the decision making process (Pratt and Urquhart, 1994: p. 195).
 35. Galliford (1989), quoted in Pratt and Urquhart (1994: p. 184).
 36. The official also noted that, 'We decided that we could not go down the same traditional road followed by the industry in BC. We knew had to create a new way of doing things. Otherwise, we'd do nothing but draw circles around a little timber base and lose more and more of the base as time went on' (Reinhardt, 1994: p. 13).
 37. One Alpac report noted that others in the Alberta forest industry were 'concerned that Alpac was seen as running down the operations of others while promoting its own style of management (Stuart-Smith and Rabik, 1996: p. 9). The report noted that most industry people felt that their own program was advanced enough and that the concept of ecosystem management broad enough that they should not be criticized.' Following this statement, the Alpac report contains in parentheses the words, 'not our opinion.'
 38. Alpac argued that, 'many companies are still talking about ecosystem management rather than taking actions toward achieving it.... Many company's ecosystem management programs are little more than slightly modified forms of traditional sustained yield management' (Stuart-Smith and Rabik, 1996: p. 9).
 39. Reinhardt (1994: p. 15) notes that initial pollution levels in 1993 were '0.08 kilograms of AOX per tonne of pulp, compared to 1.5 allowed by Canadian regulations,' and that 'the mill released 200 kilograms of BOD per day, compared to 4500 in its operating license.'
 40. The Alberta Environmental Protection and Enhancement Act, passed in September 1993, would require increased public participation for the renewal of pulp mill licenses. This spurred Alpac to initiate and go beyond such requirements.
 41. In both Alberta and Alabama, the promise of long-term economic development and relatively high paying jobs has been used to justify loan guarantees and tax concessions. However, unlike Alpac's experience, this luring of industry has also been examined for its role in contributing to ongoing poverty in Alabama's 'Black belt' (Bliss et al., 1993).
 42. The legal/non-discretionary requirements of such US statutes as *Endangered Species Act* and *Environmental Policy Act* do reveal that the Alabama case departs slightly with the non-legal discretionary characterization. Nonetheless even here these statutes have much less significance in Alabama because these statutes place far greater requirements on public land agencies (Cashore, 1999) and public land policy choices, both of which are limited in Alabama because of the limited amount of public land. To date, the Red Hills Salamander is the only listed species on MB Pine Hill managed timber lands under the *Endangered Species Act*, and MB Pine Hill is working with the US Fish and Wildlife Service to main-

- tain the salamander population on 5,000 acres of its forest land (Perpetual Harvest, 1995: p. 14).
43. Sporadic efforts of environmental groups to influence corporate forest practices in Alabama have met with 'defiance' strategies, as the model predicts. For example, in December of 1998, the Alabama Forestry Association's educational foundation sent a letter to forest educators asking them to help refute 'enviro-radical, anti-forestry propaganda' (McMillan, 1998).
 44. The SFI officially began implementation 1996 which contains 'implementation guidelines, objectives, and performance measures' (Hansen, 1998: p. 18). Participation is mandatory in SFI for all AFPA members. Third party verification is not yet required, though AFPA is currently considering this option (ibid.).
 45. The United States Congress' Office of Technology Assessment first noted that the complex nature of the US federal statutory regime had led agency officials to focus on 'bomb proofing' at the expense of long range planning (1992: p. 65).
 46. The issue of whether a proactive firm can be categorized as 'green' is controversial. This is because a proactive firm in a limited regulatory climate might actually be doing less for the environment, than an 'acquiescent' firm in a highly regulated climate.
 47. There is some evidence that a non-legal/discretionary regulatory style alongside a clientele-pluralist network governance system results in poor compliance with existing state regulations (Environment Canada, 1998; Tripp, Nixon, and Dunlop, 1992).
 48. We must also be careful not to over-theorize about the effects of different policy choices on environmental performance, *per se*. This paper has focused on firm responses to external pressures, which is but one component in understanding how firms achieve sustainability.

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