Engaging Across Boundaries

Dynamics That Drive Change in Stakeholder Relationships

A Canadian Forest Sector Example From the BC Coastal Temperate Rainforest

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Important to Distinguish between 2 Types of Issues from a Corporate Perspective: 1) "<u>Controllables</u>"

- … "More controllable"

- Issues critical to business success for which there are established roadmaps, protocols, management systems, performance metrics, legal/ social requirements

- Examples
  - Accounting, investing, public reporting, conflict-of-interest
  - Hiring, training & diversity; health & safety; quality control
  - Collective bargaining; corporate ethics (clear-line-of-sight)
  - Important relationships: shareholders, employees, operating communities, regulatory authorities, customers

… and 2) "Uncontrollables"

- … "Less controllable" (currency values)
- Issues critical to business success about which public expectations often exceed the law but are not clearly defined
  - Non-linear social change
  - Performance metrics evolving or unknown
  - Controversy/ confusion
- Examples
  - Environmental issues/ sustainability
  - Social justice/ equity issues
  - Behaviour when in conflict or under extraordinary pressure
  - Ethical issues beyond the law

Examples

- Enron an example of a corporate failure on "controllables"

- Easier to see progress or failure on "controllables"
  - More visible -- corporate governance & accountability
  - Enron -- 2 sets of books -- how insiders on Wall street got rich at the expense of ordinary people on Main street

- BC coastal old growth forest issues -- example of new approaches to "less controllable" social & environmental issues
  - Opportunity for key learnings on the dynamics that drive change

We Live in a World That Is Increasingly Interdependent, Complex & "Less Controllable"

- Globalization of economics, politics, environmental & security issues creates turbulent operating conditions

- The external environment in which most businesses, governments and non-government organizations must operate in today is so complex and interdependent that individual organizations, no matter how large, cannot adapt to change simply through their own action

Diversity As a Strategy for Dealing With Complexity

- Change requires relationships that maximize co-operation between dissimilar organizations whose goals are related notwithstanding different beliefs, objectives and structures
  - Economic & social systems function on some of the same principles as natural ecosystems: simultaneous co-operation & competition
  - Diversity is central to vitality and the adaptation necessary for survival in a dynamic system
  - Attempt to reconcile tension/ dissonance can lead to innovation that might not otherwise occur

Relevance to Corporations & Civil Society

- Since "meta-problems" or "meta-messes" made up of many-sided issues are what most societies and businesses currently have to face up to, the cultivation of inter-organizational competence between dissimilar -- and sometimes even adversarial interests – has become a highly valuable social and economic capacity

A Case Study in Local & Global Complexity -- BC's Coastal Old Growth Rainforests

Lots of players & issues ...

- Publicly owned resource
- Social contract = "jobs for trees" fostered policy framework based on volume entitlements
- Global rarity -- old growth rainforest/ pristine areas -- environmental campaigns
- Unresolved aboriginal title/ modern-day treaty making process
- History of polarized conflict
- Current industrial restructuring, rationalization, consolidation
- Uncertainty around trade/ market access (US tariff), competitiveness

Recent History of BC Forest Policy Reform -- Characterized by Progress & Failure

- BC forest policy reforms of 1990s ushered in a lot of changes that were well supported in BC & elsewhere

- Repositioned the province on sustainability and conservation issues

  – <u>But</u> failure to resolve Treaty issues & forest conservation/ management issues in remaining undeveloped areas on BC coast (like the North & Central Coast) sparked emergence of 2 unorthodox "change agents" in early 2000

Policy Failures created "Change Agents"

Haida Gwaii

Queen Charlotte Islands

Central & North Mainland Coast

Clayoquot Sound
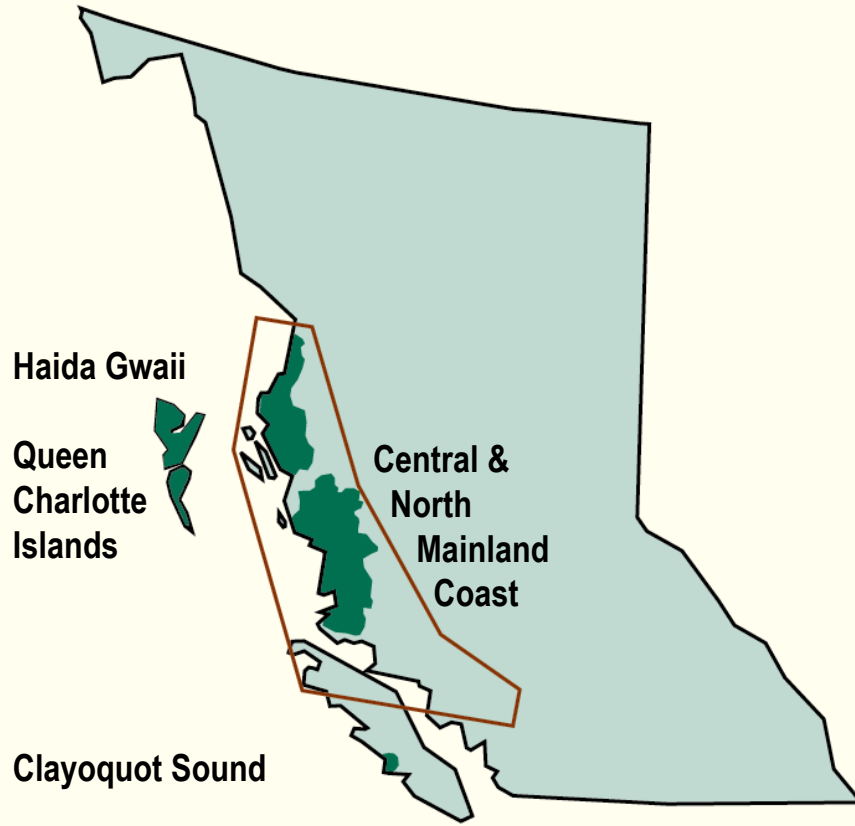
The "Joint Solutions Project" & "Turning Point"

- Alliances between dissimilar interests to achieve change
- Dispute over conservation & management of old growth rainforests in the "Great Bear Rainforest" on the BC Central & North Coast

Overview of Coastal Resolve

- **Nature of Resolve**
  - complex <u>framework agreement</u> with many moving pieces involving government, industry, communities, First Nations, environmental groups
  - will take years to implement & cost hundreds of millions of dollars

- **Core Elements**
  1. Agreement on principles, spirit and intent
     - protected areas
     - deferral areas
     - independent science & locally-based processes to define & apply ecosystem-based management (EBM)
     - equity when dealing with the impact of change (address disproportional impact -- all who benefit from change must share in its cost)
     - lead role for indigenous people
  2. Agreement on practical tools, metrics, architecture for implementation

"The Joint Solutions Project" (JSP)
An Alliance between Dissimilar Interests

- Participating Environmental Groups, ENGOs
  - ForestEthics (formerly Coastal Rainforest Coalition); Greenpeace Canada; the Rainforest Action Network (RAN); the Sierra Club of BC
  - ENGO caucus = Rainforest Solutions Project (RSP)

- Participating Coastal Forest Companies
  - Canadian Forest Products, International Forest Products, NorskeCanada, Western Forest Products/ Doman Industries, Weyerhaeuser
  - Company caucus = Coast Forest Conservation Initiative (CFCI)

The Alliance becomes even more Dissimilar ...

- "Turning Point" Initiative by David Suzuki Foundation & 8 Coastal First Nations

- Frustrated by failure of Treaty process

- Coalition to address environmental and economic issues of importance to coastal First Nations

- Inevitable that Joint Solutions Project & Turning Point would find each other …
  - sometimes compete, but also capable of co-operation

Lessons Learned:
"Create Some Room to Think Differently"

- Hard for enduring solutions to emerge during intense conflict

- Conflict-free period required to create space required to deal with complexity at the core of the conflict between ENGOs and coastal companies

- Catch-22: <u>Resolving the conflict cannot be a pre-condition to creating conflict-free period</u>

- Timeframe: Whatever you think it is "double it" … then extend by mutual agreement

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Pre-Requisites to moving away from Polarized Conflict -- Lessons Learned

❶ Power Shift

➡ Realization by companies & ENGOs neither side could (completely) defeat the other but each could block or impose significant damage on the other

➡ Recognition that the conflict was structural and not "win-able" by any one side

➡ Internal determination by each side that the status quo was no longer acceptable

Moving away from Polarized Conflict
-- Lessons Learned

❷ **External Pressure**

� International marketplace didn't like the fight between ENGOs and BC coastal companies

➤ BC public also tired of ENGO/ industry fight (undermining land use planning processes, etc.)

➤ Both applied pressure for change in behaviour

❸ **Mediation/ 3rd-Party Resources**

➤ Trusted mediator

➤ Assisted with communication, dealt with breakdowns, acted as sounding board, provided reality check, objectivity

Moving away from Polarized Conflict
-- Lessons Learned

❹ **Internal Alliances**

➡ Each side formed their own internal alliances and operated as a caucus (RSP & CFCI)

➡ Caucus ability to act and make decisions "held" despite volatility created by occasional exit of some members

➡ Caucus able to withstand internal volatility

Moving away from Polarized Conflict
-- Lessons Learned

❺ **Personalities/Relationships**

➡ Some personal relationships based on previous experience

➡ Individuals on both sides willing to step out, take risks, act as "bridges"

➡ Trust -- track record that indicates the individuals/ groups involved do what they say they are going to do, i.e. have the ability to deliver on a commitment

➡ Trust -- belief that resolve does not require the destruction of key organizational (and often personal) goals, i.e. resolve does not threaten survival

Moving away from Polarized Conflict
-- Lessons Learned

❻ **Emergence of New Capacities**

➡ Recognition that the skills that created the political dynamic for resolve are unlikely to be the skills needed to resolve substantive issue

➡ Agreement on the need for a broader suite of options, information & ideas

➡ Realization that it was possible to work together on some substantive issues despite continuing disagreement/ differences on other substantive issues

– possible to compete & collaborate at the same time

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Principles for Collaborative Learning & Inquiry

❶ **Willingness to develop new options rather than (continue to) negotiate around old ones**

- – Taking responsibility for solving issues rather than defending a position
- – Thinking laterally around problems, unconstrained by currently accepted models
- – Separating 'needs' from 'wants'

Principles for Collaborative Learning & Inquiry

❷ **Willingness to "Let Go" of Certainty**

– Recognition that the type of power required to resolve the situation cannot be exercised unilaterally by any one party

– Willingness to give up some powers in order to get others

❸ **Willingness to accept new accountabilities**

– Successful solutions must incorporate the needs of all interests involved, even those that may not part of the alliance

• Linkage to decision-making process that has more broadly-based legitimacy because it has all parties at the table required to support a viable "solutions" package

Principles for Collaborative Learning & Inquiry

❹ **Fear of change is a basic human emotion hence change processes cannot be successful unless they incorporate a visible pathway forward for everyone involved**

– Previous history on BC forest issues indicates that without a transition period supported by all parties the cost of change will be born disproportionately by those who can least afford it and the resistance to change will therefore (justifiably) be enormous

  • <u>Equity & disproportionate impact are important</u> -- hard to get change without addressing these issues; fear & innovation do not mix

– Most people understand that they do not have absolute control over broader social & economic developments these days but most still want to feel they are in a position to make choices that matter

  • Families, communities, workers -- all want the opportunity to exercise more personal control in an increasingly impersonal global economy

"Point of Intersect"

- The "point" at which dissimilar interests "intersect" is the point that has the power to bind

- Need to know when you're there!
  - Easier than you might think to charge past it ...

- <u>The point at which both parties are able to do things together that each party values but neither could do on its own</u>

- Value creation represents the "prize" & provides the motivation & internal legitimacy to continue working together, despite obstacles

Pivotal Events that Helped Build Confidence -- in BC Coastal Case

- For ENGOs
  - Voluntary harvesting moratoriums by the companies
  - Industry didn't walk away from alliance even when criticized by traditional allies

- For Industry
  - German pulp and paper industry/Home Depot procurement policies on endangered forests established linkage between products & practices
  - ENGOs prepared to channel $ earmarked for market campaigns to locally-based change process

- For Both
  - Objective assessment of alternatives
  - What other path was there?

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What Influences & Maintains an Alliance between Dissimilar Interests?

- Ongoing need for a **safe place to talk**

- **Complexity of issues**

- **Political strength**

- Shared willingness to "**go where no one has gone before**"
  -- albeit it, probably not "boldly"

  - A shared commitment to resolve the structural issues that are at the root of the structural conflict establishes a dynamic "quid pro quo"

  - Participating companies prepared to do things on conservation issues that they haven't done before

  - Participating ENGOs prepared to do things on economic issues that they haven't done before

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Underlying Power Dynamic

- BC government, forest companies & forest dependent communities do not have the credibility <u>outside of BC</u> (i.e. globally) to unilaterally define conservation & management plans for remaining pristine/ undeveloped areas on the BC coast
  - perception that timber-bias will "trump" conservation objectives
  - environmental groups demonstrated capacity to mount successful challenge to social license in the marketplace (globally)
- Environmental groups do not have the credibility <u>inside of BC</u> (i.e. locally) to unilaterally define conservation & management plans
  - perception that conservation-bias will "trump" social & economic objectives
  - local communities, First Nations & others demonstrated capacity to launch successful challenge to social license locally

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Where Global Meets Local…

- Power dynamic that fuels dissimilar alliances to find new ways to come to grips with differences on coastal BC forest issues is the same dynamic/ dilemma that lies at the heart of sustainability
  - i.e. the need to reconcile local and global perspectives
- In this context, other jurisdictions in the world may have much to learn from the resolve of forest issues on the BC coast about sustainability governance
- Not a lot of pre-existing models
- "Sustainability" is by definition a group effort
  - not something that any one or two parties can deliver unilaterally
- "Sustainability" is about how to innovate in an increasingly interdependent world

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Managing Risks

- Don't try "chaords", "clusters", "inter-sectoral collaboration" "alliances between dissimilar interests" at home alone...

  - Not for everyone - usually not the solution of choice

  - By definition involves controversy & higher than average risk

  - Often requires non-linear "counter-intuitive" behaviour

  - In an environment characterized by a long history of polarization engagement with adversaries is seldom popular internally -- backlash is inevitable

    - "appeasement", "caving", "gone-over-to-the-other-side"

    - challenge to maintain the internal social license to continue

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The <u>Bottom Line</u> on Cross-Sector Partnerships

- Not going to get everything you want & even worse, you might fail (entirely)

  – Peace is harder than war… certainly more complex

  – Taking responsibility for solving the problem means you can't blame others for it anymore

- Bottom Line: Risks of not doing it have to be judged higher than risks of doing it

  – "People become wise when they have exhausted all other alternatives"

Pathway of an Alliance between Dissimilar Interests

❶ **Power Shift**

– Product of acknowledged gridlock -- coastal companies & ENGOs could each block the other but neither could unilaterally achieve long-term resolve sought by both

❷ **Institutional Capacity Shift**

– New roles and capacities as a result of new learning; individuals empowered by their organizations to do different things

❸ **Strategy Shift**

– Explore alternatives to Win/Lose model. Leadership. Risks.

❹ **Structural Change**

– Fundamental underlying issues are addressed (ecosystem planning, tenure reform, reconciliation of crown & aboriginal title)

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Looking Back: The Best & the Worst of Times

- <u>Worst part</u> of this experience from the perspective of both the companies and ENGOs involved in the Joint Solutions Project probably was dealing with internal backlash on both sides
  - If they had it to do over again, both sides probably would do it again (due to lack of other viable alternatives!) but would no doubt do it somewhat differently
  - Likely place a lot more emphasis on internal communication & conflict resolution
  - Maintaining internal social license necessary to maintain cease-fire agreement (i.e. conflict-free period) became very difficult once splits emerged in both caucuses and some companies and ENGOs exited the alliance and began to challenge it
  - At many points, maintaining the internal political license to have a conflict-free period took more energy and resources than addressing the issues that lay at the core of the conflict

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Looking Back: The Best & the Worst of Times

- <u>Best part</u> … to be part of the creation of something new, i.e. a "new capacity" in BC aimed at fostering innovation on forest management & conservation issues
  - Joint Solutions Project and the ideas it is pursuing represents emergence of a new (institutional) capacity on coastal forest issues that contains the "genetic" material of both the industry and the environmental movement
    - A "radical integration" … leading to innovation & stakeholder relationships beyond social license to operate
  - Both sides have demonstrated weaknesses -- but each also has demonstrated strengths
    - ENGOs: power to advance ideas and ideals that move and motivate people -- make things happen with few resources
    - Business: power to make things happen on the ground -- make it real

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Looking Forward: Tensions & Opportunities

- There is lots of information around about what happens when companies and ENGOs interact with each other in a way that accentuates their respective weaknesses
  - Less known about what happens if they interact in a way that combined their respective strengths
- Interesting to see if the "hybrid" capacity now emerging on the BC coast can grow up to be something separate and distinct in its own right
  - If it combines the established weaknesses of its "parents" it probably won't survive, but if can combine their respective "strengths" it could well be a force to be reckoned with
  - The excitement of creating something new is at the heart of all enterprise

Personal Reflection

- All change is difficult but the type of change required to resolve structural conflict is particularly difficult
  - Lives at the nexus of the tension between business goals and social responsibility; at the nexus of the tension between global and local perspectives on environmental issues

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Personal Reflection

- A different breed of change
  - Beyond traditional stakeholder negotiation on social-license-to-operate issues
  - Outcomes are a product of interaction between parties
    - de-centralization of leadership leads to emergence of new capacities
  - Development of options & goals not seen or endorsed by any single party at the outset … not achievable by any single party on its own
  - Can change your sense of who you are and how you relate to others
  - Authentic relationships -- commitment to work things out in good times & in bad … despite inevitable tensions, mistakes & bad behaviour