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Direct Targeting as an NGO Political Strategy: Examining Private Authority Regimes in the Forestry Sector

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Direct Targeting as an NGO Political Strategy: Examining Private Authority Regimes in the Forestry Sector*

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Abstract

In recent years, International Political Economy literature on "politics beyond state" has emphasized the role of non-governmental organizations (NGOs) in broader policy processes, both national and international. In addition to their impact on states, NGOs influence the policies of non-state actors such as firms via public and private politics. Dissatisfied with the progress firms have made in response to public regulation, NGOs have sponsored private authority regimes in several issue areas and pushed firms to participate in them. Across the world, the contest between NGOs and firms has provoked substantial behavioral and programmatic change—including widespread participation in these private authority regimes—among firms seeking to escape NGO pressures. Using firm-level data, this paper examines why direct targeting has not led firms in the U.S. forest products sector to participate in an NGO-sponsored private authority regime, the Forest Stewardship Council. This global regime has been adopted widely in Europe, but U.S.-based forestry firms have tended to favor a domestic industry-sponsored regime, the Sustainable Forestry Initiative. Our analysis suggests that the desire of firms to maintain control over their institutional environment in light of hostile relations with NGOs has led US-based firms to favor the Sustainable Forestry Initiative.

KEYWORDS: NGOs, voluntary programs, forestry

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Introduction

"Politics beyond state" (Wapner, 1996) has emerged as an important research topic in contemporary International Political Economy (IPE) scholarship. Two components of this literature are particularly prominent. First, IPE scholars have examined the conditions under which civil society or non-governmental organizations (NGOs) influence public policy and have identified the strategies NGOs employ to achieve their political objectives (Lipschutz, 1992; Wapner, 1996; Keck and Sikkink, 1997; Florini, 2000; Price, 2003). Second, IPE scholars have become interested in studying the rule structures established by non-governmental entities which have emerged across countries in different issue areas. Such non-governmental institutions are often referred to as "private authority" regimes or "governance without governments" (Cutler et al., 1999; Haufler, 2001; Cashore, 2002; Hall and Biersteker, 2002; Prakash and Potoski, 2006). While private authority scholars have examined how non-governmental regimes emerge and get adopted, they have tended to consider individual regimes in isolation. The comparative analysis of competing private authority regimes has been neglected, an omission we seek to address in this paper.

While NGO politics and private authority literatures have several common threads, scholars have tended to overlook their linkages, which are important to the study of politics. NGOs affect politics not only by influencing governmental structures but also by establishing private authority institutions, and persuading firms to adopt them. Regretfully, IPE scholars have given inadequate attention to NGO political strategy vis-à-vis firms, specifically, how NGOs seek to shape firms' choices regarding private authority regimes and how firms *respond* to such pressure.

This paper fills this void by using firm-level data. Focusing on the forestry sector, we investigate how direct targeting — recent market-based and media-based campaigns criticizing the forestry practices of specific firms — by environmental NGOs has influenced firms' participation in private forestry regimes.

By examining NGO campaigns from the perspective of the firm, this paper distinguishes itself from earlier work which looked at the campaigns from the NGOs' perspective (Wapner, 1996; Keck and Sikkink, 1998; Florini, 2000). Here we consider not how the NGOs choose targets or conduct their campaigns, but how their targets respond to their efforts. Furthermore, unlike other studies on private governance that examine why firms join a given private authority regime, this paper examines firms' choices *among* private regimes. Specifically, it considers how pressure from international NGOs influenced the decisions of firms in one domestic context regarding the adoption of an international private authority regime. Using in-depth comparative case studies of four major industrial firms in the forest products sector, this paper goes inside each firm to clarify the political choices about governance systems firms made in the face of varying levels of pressure by NGOs. This is an important step because much of the existing private authority literature explores broad, macro-level explanations for firm participation in private regimes (Haufler, 2001) and underspecifies why firms vary in their responses to external pressures (Sonnenfeld and Mol, 2002).

Our paper has important implications for the study of transnational advocacy in two specific ways. First, it fills the gap regarding the factors that bear upon the success of transnational advocacy in the realm of "private politics" (Baron, 2003: 31)—especially in the context of private regulatory regimes. Specifically, it contributes to our understanding of the efficacy of direct targeting, as opposed to other types of transnational advocacy. Second, this paper contributes to the emerging literature that examines country-specific and cross-national adoption of private authority regimes, focusing on how a particular domestic political and economic context influences adoption levels (Kollman and Prakash, 2001; Cashore et al., 2004). Based on firm-level research, it explores a situation in which transnational advocacy has limited success in modifying the behavior of targeted actors: in the U.S., forestry firms have resisted joining the NGO-sponsored Forest Stewardship Council (FSC), preferring instead an industry-sponsored private authority regime, the Sustainable Forestry Initiative (SFI). The organized resistance of the forest products industry in the U.S. in the face of direct pressure from NGOs is notably different from what has occurred in Europe, where the FSC has had much more substantial participation. The high relative costs of the FSC in relation to the SFI cannot explain the poor U.S. response – after all, the same economic pressures should be working in Europe as well (Cashore et al., 2004). Based on our firm-level study, we find that the poor response to the FSC in the U.S. can be attributed to the adversarial relationship between forestry firms and environmental NGOs, highlighted against a backdrop of strong industry-level solidarity.

Why focus on direct targeting? Several IPE studies of transnational advocacy, such as Wapner (1996), Keck and Sikkink (1998), Price (1998), and Clark (2001), suggest that this tactic might be very effective in prompting firms to conform to NGO demands and to consider, in a choice among multiple private regimes, the institutional option advocated by those same NGOs. Though various forms and levels of targeting are possible, we would anticipate that the most direct pressure against a firm would provide NGOs with the most leverage in shaping that firm's behavior. Other recent (non IR) studies have also argued that direct targeting is effective in this way (Zadek, 2001; Haufler, 2001; Gunnigham et al., 2003). However, we find that firms directly targeted by NGOs opted *not* to adopt the NGO-preferred program (the FSC). Instead, the industry responded collectively by creating an alternative program (the SFI) which competes directly with the FSC. While the SFI has improved forestry practices, NGOs find it to be insufficient and criticize it vehemently.

Our comparative case studies suggest that direct targeting created a confrontational atmosphere between NGOs and firms, and that the NGO-sponsored regime threatened firms' fundamental decision-making autonomy. The political strategy of NGOs and the perceived push toward an NGO-sponsored FSC regime created conditions for firms to fight back. This finding is consistent with other literature which suggests that, although direct targeting is likely to be noticed by firms, they can be expected to resist demands that restrict their policymaking autonomy. Lindblom (1977) and Vogel (1978) both discuss firms' struggles to establish and maintain authority in the face of pressure from government or citizens. Our results go further, however, in that they demonstrate that firms will even organize to resist such pressure in a collective fashion (Florini, 2000a). Instead of pursuing individual actions, forestry firms decided to collectively counter NGOs by establishing and supporting an industry-sponsored regime (SFI) that provided them with more autonomy in rule setting, monitoring, and enforcement. In our cases, we explore not a binary choice of "acquiescing" or "resisting" (Spar and La Mure, 2003), but a third route in which businesses responded strategically to NGO demands in order to maintain control over their institutional environment. While the business-sponsored SFI regime—like the NGO-sponsored FSC—involved the ratcheting-up of forest management standards, it remained under the direct control of industry interests.

This paper recognizes that the success of NGO advocacy should be viewed as a continuum. In the forestry case, although NGOs may have achieved some of their substantive goals (improved forest management practices), they do not appear to be satisfied with this "partial success." In their public statements, NGOs continue to claim that forestry firms have successfully employed the SFI to "greenwash" their forestry practices. In other words, NGOs argue that forestry firms use SFI as cover behind which they will continue to pursue practices the NGOs oppose, such as harvesting old growth forests, using pesticides, using genetically modified species, and clear cutting. Not surprisingly then, NGOs remain publicly critical of the SFI. On May 20, 2005, some pro-FSC NGOs (including NRDC, RAN, Sierra Club, ForestEthics, Greenpeace, and several others) ran a full page advertisement in *The New York Times* (http://www.dontbuysfi.com/home/) that blasted the SFI program:

> How can you trust the timber industry to measure its own environmental sustainability? Isn't that like the fox guarding the henhouse? Simply stated, the Sustainable Forestry Initiative ® program is a historic greenwashing effort to blur the public's trust

> in ecolabeling, helping loggers appear “sustainable” when it’s really just the Same-old Forest Industry.

The NGOs claim that “the SFI does not adequately protect old growth, endangered forests, water quality, wildlife, and other environmental values. The SFI also allows gigantic clearcuts and toxic herbicide spraying, and fails to restore forests degraded by past logging.”[1]

Thus, NGOs appear to remain dissatisfied with the substance of the SFI program, suggesting that their advocacy in the U.S forestry sector has been a limited success, at best. While we recognize that NGOs seldom achieve all their campaign objectives, this case is notable both because NGOs remain dissatisfied with the outcome (partial failure), and because firms have launched a successful counter-strategy based on collectively organized resistance. Because of these findings, our paper raises important theoretical issues about NGOs’ political strategy, especially regarding the methods they employ to advance demands against firms, and the type of responses that can be expected.

NGO Political Strategy

IPE scholars have traditionally viewed governments (and therefore, inter-governmental regimes) as the central arena for policymaking. While decrying the state-centeredness of IPE literature, NGO politics scholars continue to examine how NGOs influence government policymaking processes. Although Vogel (1978) pointed out early on that NGOs could be effective actors working outside or around the state, the tendency to conceptualize NGOs as state-focused actors persists (Keck and Sikkink, 1998; Risse, 2000; Khagram et al., 2002). Recent works have begun to ask questions about how NGO activity influences actors other than states or inter-governmental regimes (Wapner, 1996; Florini, 2000).

How do NGOs seek to shape firms’ policies? In addition to advocacy via public politics, NGOs seek to put pressure on firms via different types of private politics. Drawing on Baron’s (2003) work, we identify three types of targeting: direct targeting (the focus of our paper), indirect targeting (generalized campaigns against all firms, or a large group of firms, within the same industry), and supply chain targeting (campaigns designed to bring pressure to bear on a firm based on tactics aimed at a firm’s producers or consumers; usually such campaigns focus on retailers or big name manufacturers at the downstream end of the supply chain). We focus on direct targeting because it helps us to differentiate the targeted actors from the non-targeted ones. Direct targeting enables NGOs to

[1] http://www.dontbuysfi.com/factsheets/SFI_Factsheet-SFI_Problems.pdf, accessed 10/10/05.

exert maximum pressure on firms to join the NGO-preferred program. Indirect targeting and supply-chain targeting may also provoke change in the behavior of targeted actors. Indirect targeting affects all (or most) firms in the industry, providing early warning signals even to firms that are never directly targeted, and it may propel firms to act proactively to avoid becoming a direct target. However, because it is experienced relatively evenly by all firms in an industry, this type of targeting does not explain firms' preference for one private regime over another. The ripple effects of supply chain targeting, on the other hand, i.e. firms observing and responding to NGO pressure on their suppliers or customers, may be felt differentially among firms depending on their market position and their specific product mix. Because this variable has been very important in other cases (footwear and apparel, coffee), and even in the European forestry case, we consider it explicitly in our case studies (below) (Sasser, 2003; Gereffi et al., 2001; Klein, 1999).

Of all types of targeting, however, direct targeting would seem most likely to drive firms toward institutional solutions advocated by NGOs (Dalton et al., 2003). Arguably, NGO advocacy strategies are rooted in the moral legitimacy and trust these groups enjoy among the public (Price, 2003; but see Henderson, 2002; Sell and Prakash, 2004), which they are able to leverage in their battle against industry. Studies show that the public consistently places higher trust in NGOs than in firms (Zadek, 2001; World Economic Forum, 14 January 2003). The moral authority—and resulting influence—enjoyed by NGOs is derived from their perceived independence, veracity, reliability, and representativeness (Sikkink, 2002). When confronted with NGOs' moral authority, firms are anxious to protect their reputation. As Gunningham et al. (2003: 53) argue, firms must invest in "reputation capital" in order to maintain their "social license to operate." Failure to do so can lead to an erosion of moral legitimacy which imposes significant costs—including reduced profitability or market share—on firms (Sonnenfeld and Mol, 2002).

NGO politics scholars suggest several avenues through which transnational advocacy groups attempt to advance their agenda and force targeted actors to comply (Keck and Sikkink, 1998; Dalton et al, 2003). Keck and Sikkink (1998: 16) refer to information politics (generating and using information strategically), symbolic politics (utilizing symbols, actions or stories interpretively to explain events), leverage politics (utilizing powerful actors to exert pressure), and accountability politics (forcing key actors to fulfill promises). Though scholars focus on the use of these tactics against governments, Keck and Sikkink correctly note that the same methods may be employed against firms. Finding governmental regulation insufficient to combat perceived "misbehavior" by firms, NGOs have turned to private politics. They have employed radio, television and newspaper ads to condemn practices of particular firms, organized boycotts, sit-ins, customer confrontations; and employed face-to-face challenges in the form of blockades, protests, banner-hangs, and so on. These campaigns have been conducted by transnational activist groups in a variety of domestic political environments, and often involve transnational market-mobilization tactics in "socially conscious" markets such as Europe, Canada, and the U.S. (Spar and La Mure, 2003; Klein, 1999). As Zadek writes: "Show-stopping campaigns like those against Nike, Monsanto and Shell … have all basically had this relationship in mind: 'Hit them till it hurts, and then they will change for the better.' Certainly many of the more radical campaigning and development NGOs think that it works" (2001: 57).

Such campaigns by NGOs are essentially a combination of 'symbolic' and 'leverage' politics: the mobilization of powerful groups to whom the target is more responsive through (often) the use of highly symbolic material. In Keck and Sikkink's work, leverage and symbolic politics succeed when the target (a state) is vulnerable to network pressures because it "aspire[s] to belong to a normative community of nations" (1998: 29). Thus, the leverage gained by 'mobilizing shame' is inherently normative. In their battles against firms (as opposed to states), NGOs face a different challenge; rather than mobilizing governments, they must mobilize the market. This includes not just consumers (though they may be a critical audience) but also stakeholders involved in financial and factor markets, all of whom can impose both monetary and non-monetary costs on the firm.

While this still involves mobilizing shame, NGOs are increasingly relying on strategies that threaten the firms' profits and market shares. If profits are low and competition is high, firms may feel extra pressure to participate in private regimes that solidify their reputation, even though this requires them to expend resources that they can ill-afford. This combination of normative and instrumental pressures makes NGOs' new approach distinct from the scenarios discussed by Keck and Sikkink.

Research Design: Competing Private Regimes in the Forest Products Sector

Forestry Politics

To address the impact of transnational NGO campaigns on firm choices among private authority regimes, we chose to focus on the forest products sector. There were several reasons for this choice. First, the sector has a rich history of activism by transnational groups. Early campaigns were largely focused on tropical deforestation and loss of particularly valuable species, such as mahogany. Mixed with broad international campaigns were multiple domestic contests in prime timber producing countries such as Brazil, Canada, and the United States.

Issues such as deforestation for cattle grazing (Latin America), destruction of habitat for endangered species (e.g. the spotted owl in the U.S.), and clearcutting (e.g. British Columbia), provoked fierce advocacy campaigns and bitter popular debates in many countries (Salazar and Alper, 2000).

Second, this sector was one of the first in which private authority regimes emerged as supplements to public regulation on a broad scale (for details on regime emergence see, Cashore et al., 2004). In the late 1980s, under intense pressure from transnational environmental groups and regulators, the forest products industry worldwide began to pursue voluntary "greening" strategies (Gereffi et al., 2001). Certification quickly became the dominant strategy, and the proliferation of certification programs in this sector made it a rich field for study. The first international program—the Forest Stewardship Council or FSC—was born in 1993, after countries failed to sign a global forest convention at the Rio Earth Summit. Seeking to encapsulate their demands for changes in forest practices worldwide, global environmental NGOs including World Wildlife Fund (WWF) and Greenpeace created a global private authority regime, the FSC. As an independent, third-party organization headquartered in Bonn, Germany, FSC is "an international network to promote responsible management of the world's forests… Over the past 10 years, over 73 million hectares in more than 72 countries have been certified according to FSC standards."[2] The FSC is supported by a variety of transnational NGOs, including World Wildlife Fund, the Nature Conservancy, National Wildlife Federation, Natural Resources Defense Council, Rainforest Action Network, Rainforest Alliance, Sierra Club, and Friends of the Earth (FSC, 2003). Many of these groups have a strong scientific basis; others are primarily advocacy groups. These NGOs operate in multiple countries and coordinate their strategies across countries with the objective of improving forestry practices worldwide. Some scholars actually view FSC as a transnational social movement (Bartley, 2003).

Third, if direct NGO targeting is a major determinant of firm choice among private regimes, forestry would arguably illustrate these trends more than any other sector. In other words, the forest products industry has the structural characteristics to constitute an easy case to demonstrate the success of this NGO strategy. The financial downturn of the 1990s led to large debts and capital shortfalls among many firms in the forest products industry. With little financial slack and the intense adverse publicity about their forestry practices, forestry firms should be vulnerable to direct NGO targeting.

In the forest products sector, there are now at least thirty private authority regimes worldwide. To narrow the choice set and tease out exactly why firms made particular choices, it was necessary to restrict this variability and control for

[2] http://www.fsc.org/en/about

different institutional environments. Because the U.S. is the largest producer and consumer of forest products worldwide, and because of the presence of a well-developed advocacy community that has been active for several decades, we have chosen to focus on the United States. Furthermore, it is a good case for study because competing regimes have been in place in the U.S for more than 10 years. Two of these regimes are dominant: all industrial firms operating in the U.S. that consider joining a private authority regime basically face a choice between the NGO-sponsored FSC and the industry-sponsored Sustainable Forestry Initiative, or SFI. Each of these regimes will be considered, in turn.

As described in detail by Cashore et al. (2004), the FSC is an expressly international program that grew out of concerns over forest practices in the tropics. Since its inception in 1993, the program has grown to encompass a 3-chambered formal organization based in Bonn and myriad national chapters. Its standards are based on core principles, and are tailored to meet differing ecological "niches" in countries or regions around the world. The FSC program is designed to certify forest landowners and forest companies that practice sustainable forest management, as judged by licensed certifiers measuring company compliance with a prescribed set of rules. Though the standards vary regionally, they are generally quite prescriptive. FSC certification consists of two levels: (1) forest management certification, covering practices on specific parcels of land; and (2) chain-of-custody certification, which verifies that finished products meet specific certified-content requirements. In either case, standard setting and monitoring/enforcement are all conducted at the third-party level.

The second regime, the Sustainable Forestry Initiative or SFI, grew out of the efforts of the American Forest & Paper Association (AF&PA), which is the dominant forest products industry association in the United States. This model of a domestic-based alternative program competing against the international FSC is common in Europe, Asia, and parts of Latin America. Several other industry-sponsored programs, such as Europe's PEFC (formerly the Pan European Forest Certification, now called the Programme for the Endorsement of Forest Certification), have emerged across the world in challenge to the FSC (Cashore et al., 2004). Thus, NGO transnational advocacy in the forestry sector and the quest for a global private authority regime has faced resistance at the domestic level by firms and landowners around the world. What is interesting, however, is that the FSC has won many of these battles, particularly in Europe, despite the high cost of adopting the program for firms. The opposite has been true in the U.S.: in this instance, the FSC has had a very hard time gaining participants while the industry-sponsored SFI has dominated. The structural preconditions in the U.S. forest products case are different—particularly the presence of a highly organized industry association—and we consider, in part, how the adversarial relationship between industrial firms and NGOs has shaped U.S.-based firms' perceptions and decisions about private authority regimes.

The presence of a critical enabling institution—the well-established AF&PA—was certainly instrumental in helping firms mitigate their collective action dilemma in the face of varying types and levels of pressure from advocacy groups against various firms in the industry. The AF&PA had widespread membership among industrial firms, and this is likely to have significantly reduced the cost of organizing collectively against the FSC: the rules to organize and to punish or discourage free riding were already in place. Furthermore, given the continuing hostile relationship between forestry firms and NGOs, firms may have believed that joining the FSC would make them vulnerable to NGO opportunism. In order to receive FSC certification, a firm would have to subject its management practices to NGO scrutiny; in the event the firm disagreed with NGO findings, it would be extremely difficult to withdraw from the regime without creating severe reputational problems. NGOs, recognizing firms' vulnerability, could continually ratchet up their standards. Firms would naturally be reluctant to expose themselves to such opportunistic exploitation by NGOs.[3]

Given that the barriers to collective action were low and the incentives to respond collectively to the FSC were high, in 1994, major industrial forest products firms in the United States banded together under the umbrella of the AF&PA to form the SFI. Like similar industry-sponsored programs in Europe and Canada, the SFI emphasized a management-systems approach rather than the prescriptive standards contained in the FSC program. Concerned with maintaining industry flexibility and autonomy, the AF&PA insisted that firms should have discretion to meet management goals using a variety of techniques. Initially, standards were set by the industry association itself (second-party), while monitoring and enforcement were left up to individual firms (first-party). However, all firms wishing to maintain membership in the AF&PA were required to formally commit themselves to implementing the SFI program. This involved a self-declaration that the firm intended to follow the broad principles of the SFI program.

The decision by AF&PA to require participation in the SFI resulted in relatively little defection: only a few firms left the Association rather than participate. Thus, the AF&PA was successful in organizing a collective response and establishing a program with widespread participation. Although big firms

[3] Forestry firms did not seek security via more stringent government regulation because most land use practices in the U.S. are regulated at the state level and lobbying on a state-by-state basis is costly. With most firms operating in multiple states and some in multiple countries, they favored a programmatic response that could work across jurisdictions.

such as International Paper – the most likely targets of NGO campaigns – were in the forefront of organizing collective action, ongoing collective action problems in terms of internal opposition to joining the SFI have been minimal, suggesting that cohesion within the industry around this issue has been strong (Bartley 2003).

Ongoing competition between the FSC and the SFI in the late 1990s was clearly hindering the industry's ability to shore up its reputation. NGOs angered over the creation of the SFI accelerated their campaigns against the industry, simultaneously deriding the SFI and championing the FSC. One of their major complaints against the SFI was that the program had no external oversight, resulting in a "fox guarding the henhouse" situation. Recognizing that third-party involvement was critical to garnering credibility from outside audiences, the AF&PA began an aggressive campaign to strengthen the SFI, both in terms of the standards laid out by the program, and in terms of the way in which those standards were monitored and enforced.

Beginning in 1998, the option of third-party certification, including the adoption of specific standards, became available to program participants. In making these substantial changes to the program, the AF&PA also sought to increase external participation in and validation of the revised SFI by creating an independent oversight body, the Sustainable Forestry Board (SFB) and inviting representatives from the conservation community to participate. Thus the revised SFI is also supported by a range of relatively conservative conservation groups, including the Conservation Fund, The Nature Conservancy, Ducks Unlimited, Izaac Walton League, and American Bird Conservancy (SFI, 2005). Notable from the forestry firms' perspective is that SFI supporters do not include any radical NGO to which the industry is opposed, while the FSC list includes several such NGOs that have battled the forestry industry over the years.

Given that NGOs can be viewed as arrayed on a continuum, with radical groups that are often antagonistic to industry on the far left and moderate to conservative NGOs that are more cooperative with industry on the right, third-party certification is likely to satisfy a wider range of NGOs than self-certification. However, as we discussed before, even with third-party certification, key NGOs have continued to maintain that the SFI has not changed sufficiently to be an acceptable solution because it still does not meet their substantive goals of improving forestry practices.

Thus, by the end of 2002, industrial forest products firms in the United States faced four options with regards to certification: (1) they could reject it altogether; (2) they could participate in the SFI program and self-audit for compliance (first-party audit); (3) they could pursue SFI third-party certification (independent audit); and/or (4) they could pursue FSC third-party certification (independent audit). Most firms in the industry chose to stay in the AF&PA and participate in the SFI program, at least at the first-party level. This has, in fact, become the baseline requirement in the industry; thus the first option (no certification) is extremely rare among industrial firms. However, firms also had the option of going beyond the first-party baseline by obtaining third-party certification, and 26 out of 43 major U.S. industrial firms owning both land and mills chose to do so by the end of 2002. What is interesting is that most of them opted for SFI third-party certification, while only four firms chose the FSC. Why was this so, especially given that the FSC has been in many cases the dominant program outside the U.S., despite the presence of lower-cost competitor programs in those countries as well? Below we examine how direct targeting as a key NGO political strategy influenced firms' choices between the FSC and the SFI.

Choice among Private Authority Regimes

In our case, direct targeting pertains to the deliberate singling out of a firm based on its poor forestry practices. NGOs mounting these campaigns utilize a variety of tactics, ranging from intense media criticism via television, newspapers, and (increasingly) the internet, to participatory campaigning activities like petitions, boycotts, protests, sit-ins, and so forth. Given that the FSC is a culmination of NGOs' forestry activism in an institutionalized form, it is important to examine how recent or ongoing campaigns targeted at specific firms regarding their forestry practices influenced the decisions of these firms regarding the FSC. We would expect those campaigns to make the firm more likely to join the FSC.

While we are most interested in studying direct targeting as a political strategy, we recognize that other variables might affect a firm's choice among private regimes. The literature suggests that there are several other factors that may also be important: the stringency of the regulatory environment; the level of transaction costs faced by the firm in procuring and tracking fiber inputs; the perceived market demand for certified "green" products; and the priority assigned to environmental issues by internal management may all be important influences.

First, the regulatory environment within which a firm operates may have a substantial influence on the firm's decision to participate in private authority regimes. In the United States, there is a great deal of variability in terms of the level of regulation on private forest practices (Ellefson et al., 1995). Firms operating in states with strict forestry regulations may be better prepared to meet the requirements of a forest certification standard, simply because they have already had to adjust their practices and management styles to accommodate stricter standards and a higher level of scrutiny. Given that the FSC standards are the most prescriptive, only firms operating in highly regulated environments may be prepared and willing to adopt these standards to counter additional regulation. Furthermore, firms operating in areas where regulations have continued to escalate over time may look at voluntary certification as a means of pre-empting further statutory restrictions (Haufler, 2001; Kagan et al., 2003).

Second, because the SFI and the FSC impose quite different behavioral requirements on forest products companies, there may be important differences in the level of transaction costs involved in pursuing either set of standards. In fact, the FSC imposes far more rigorous monitoring and enforcement requirements on firms, particularly with regard to fiber chain-of-custody audits, resulting in burdensome transaction costs. If this is true, then firms should clearly indicate that transaction costs (in the form of chain-of-custody monitoring costs) are a deterrent to pursuing FSC certification. This means that firms that procure a large amount of their fiber from non-company lands, especially non-industrial private forest landowners, will shy away from FSC. Similarly, the larger the number of outside suppliers a company uses, and the more annual variability there is among those suppliers, the more difficult it would be for a firm to earn FSC chain-of-custody certification.

Third, firms may experience differential market pressures which encourage them to adopt one program over another. If customers are specifically asking for fiber certified under one particular program, or if products certified under that program command a higher price in the marketplace, then firms may feel an incentive to choose that programmatic option. If supply chain targeting is effective (i.e. if campaigns against retailers and other major downstream firms are causing those firms to demand certified fiber from primary forest products firms at the top of the supply chain), then we would expect firms to indicate that downstream market pressures are affecting their choice of certification program. This would likely depend partly on the product mix produced by the firm: some types of "green" products could be in greater demand from consumers than others. Thus the extent and nature of the market pressures a firm experiences may be important determinants of its choice between the SFI and the FSC.

A fourth factor that may contribute to some firms choosing the SFI while others prefer the FSC is internal variables such as leadership, culture, and pre-existing environmental policies. Several scholars have pointed out that the level of internal commitment to environmental goals is highly important in determining corporate response to environmental decisions (Prakash, 2000; Gunningham et al., 2003). Firms with proactive leadership and strong environmental initiatives may be more likely to select a certification program that is endorsed by the environmental community. Thus a high priority assigned to environmental issues by internal management, as measured by factors such as the presence of a Vice President of Environmental Affairs (or equivalent), a commitment to certification by top management, the presence of a formal company environmental policy, and/or the publication of an annual environmental report, may lead a firm to choose the FSC.

Each of these variables could be expected to influence firm decisionmaking in the following directions:

Primary Hypothesis

H_0: While all forestry firms can be expected to respond to NGO targeting, firms which have been directly targeted by NGOs regarding their forestry practices are likely to join the private authority regime that corresponds most closely to NGOs' programmatic demands, i.e. the FSC.

Secondary Hypotheses

H_1: The more stringent the regulatory environment in which a firm operates, the more likely the firm will pursue FSC certification.

H_2: The lower the transaction costs a firm experiences, the more likely the firm will pursue FSC certification.

H_3: The higher the level of customer demand for FSC-certified products, or the higher the market premium for FSC-certified products, the more likely the firm will pursue FSC certification.

H_4: The higher the priority assigned to environmental issues by internal management, the more likely the firm will pursue FSC certification.

Given that we are particularly interested in the question, "Does direct targeting by NGOs push firms toward the FSC?", it is critical to control for regulatory stringency, transaction costs, market pressures, and internal leadership when looking for evidence of the impact of direct targeting. We consider these alternative explanations carefully in examining the evidence from specific cases.

Methods

In this paper, we scrutinize the choices of four firms—Longview Fibre, International Paper, PALCO, and Domtar—to determine the impact of direct targeting by NGOs on companies' decisions to participate in private forest certification regimes. Given the range of pressures industrial firms face, the complexity of their internal decision-making processes, and the limits on our knowledge of what exactly drives firms to participate in one program over another, a comparative, process-tracing approach to firm decision-making was undertaken. Process-tracing, which involves explicitly identifying causal pathways by focusing on processes and intervening variables (George and McKeown, 1985; Mahoney, 2000), is particularly appropriate when the goal is to establish causal links between variables (Mitchell and Bernauer, 1998). It is especially helpful when multiple causal mechanisms are possible, with different independent (explanatory) variables having different degrees of influence in each case (King et al., 1994). Process-tracing is particularly useful when investigating motivations, perceptions, and decision-making processes (King et al., 1994). Moreover, the data gathered is rich, nuanced, and illuminating about causal relationships.

We chose a small number of firms and employed lengthy, in-depth interviews with multiple corporate executives and environmental managers within each firm to flesh out exactly how the firm arrived at its certification choice. Four firms were chosen from a larger group of AF&PA firms owning both land and mills—a total population of 43 firms, which together own 78 percent of all industrial forestland in the United States. Within this population, significant variation exists regarding certification choice. Of the total 43 firms, all 43 were SFI first-party certified (as required by AF&PA membership) by the end of 2002; 26 were SFI third-party certified; and 4 were FSC certified by that date. In this paper, three of the four firms studied have decided to move from the industry baseline of SFI first-party certification to some form of third-party certification. Interestingly, though, two of these three firms have chosen to pursue SFI third-party certification, while the other has selected the FSC program. What can explain this difference? Why would a firm move to third-party certification, and how does a firm choose between programs at the third-party level?

Evidence and Results

Our theoretical expectation is that firms experiencing direct NGO targeting would be most likely to pursue FSC certification. Firms experiencing less pressure (i.e. no direct targeting) would be expected to attempt to build "reputation capital" and fend off NGO demands by finding a more industry-friendly alternative. The presence of high transaction costs, lax regulatory environment, low priority assigned to environmental issues by top management, and no perceived market pressure for FSC products could also encourage firms to shy away from the FSC. While these predictions hold true for most of our variables, direct targeting appears to have the opposite influence from what we expected. Rather than pushing firms toward FSC, direct targeting seems to have driven them away from it. How do we explain this outcome and more broadly, what does it tell us about NGO political strategy to influence firms' policy choices?

First Party Certification in the Absence of Targeting

The first firm we consider in this paper is Longview Fibre, a mid-size timber and paper products firm based in Washington state with annual sales around $750 million. Longview's major products include converted products such as shipping containers and merchandise bags, paper and paperboard, and timber products, and it competes against other major industry players such as Boise, Weyerhaeuser, Georgia Pacific, and Stimson Lumber. Exports to Southeast Asia account for approximately one-third of its total timber sales. As with other companies in this sector, the firm experienced profitable years in the early to mid-1990s, followed by a period of financial difficulties (www.hoovers.com).

With regard to certification, Longview Fibre behaved very much as we might predict based on the variables discussed above. The firm became first-party SFI certified when the AF&PA made participation in that program mandatory for all industry association members. However, the firm experienced no direct targeting and had only a few tepid inquiries about certified fiber from customers—none of them specific to any program or to any level of oversight (i.e. first v. third-party). Moreover, the firm faced high transaction costs if it went beyond first-party certification: the firm obtains up to 70 percent of its fiber on the open market where the source of the fiber cannot be adequately ascertained. Thus, moving from first- to third-party certification would have been prohibitively expensive in terms of fiber procurement. In addition, according to company officials, Longview has long maintained a positive environmental record and did not actively seek to improve its reputation in this arena. At the end of 2002, neither did the firm have any senior-level position devoted fully to environmental considerations, nor did it have a formal environmental policy or annual environmental report. The firm has been careful to follow Oregon and Washington's strict forestry regulations and has enjoyed a good reputation among environmental groups. Thus, moving beyond SFI first-party was unnecessary: in the absence of direct targeting, and with low priority assigned to environmental issues currently and high transaction costs, the firm had little incentive to move to third-party certification. The firm perceived no market for certified products, and firm officials expressed doubts about the benefits of certification at even the first-party level.

Third-party Certification Following Direct Targeting

Other firms had more incentive to push beyond first-party certification toward third-party. Three of the firms studied—International Paper, PALCO, and Domtar—decided to pursue third-party certification. International Paper and PALCO were both direct targets of NGO campaigns, yet they opted not to obtain FSC certification. Domtar was not subject to direct targeting, yet it did choose to get FSC certification. This pattern contradicts our prediction that direct targeting by NGOs should drive firms toward the certification option endorsed by NGOs (i.e. the FSC). Instead, we see that firms experiencing direct targeting have chosen a different programmatic option (specifically SFI third-party certification).

Internal management at the first firm in the "direct targeting" group, International Paper, assigns a high priority to environmental issues. Furthermore, it has definitely experienced direct targeting. International Paper (IP) is the largest forest products company in the world, posting $25 billion in sales and employing 100,000 people worldwide in 2002. It produces a wide range of products, including industrial and consumer packaging, printing papers, and forest products in 80 manufacturing facilities spanning four continents (North and South America, Asia and Europe), and sells these products in over 130 countries. In 2002, IP derived 30% of its sales from international markets, primarily in Europe and the Pacific Rim. It is also a large landowner, owning more than 9 million acres in the U.S. and 10.4 million acres abroad, primarily in Canada, but also in Brazil, New Zealand, Russia and Europe. The firm is recognized as an industry leader, both in terms of global market share and, in the U.S. domestic arena, in terms of the strong role it has played in the AF&PA, the main industry association in the U.S.

All IP managers reported the high priority assigned to environmental issues within the firm, and indicated that internal leadership was important to the firm's decision to pursue third-party certification. Firm managers described the firm's strong internal commitment to sustainable forest management practices, and noted that the firm prides itself in being an environmental leader in the industry. IP has several upper-management positions within the company that are dedicated to environmental issues, including a Vice President of Environmental Affairs and a Director of Sustainable Forestry and Forest Policy. The company has reported on environmental activities in an annual Environmental Health and Safety Report since the early 1990s. Furthermore, in 1998, it became the first North American forest products firm to achieve ISO 14001 certification for all of its industrial operations.

In fact, IP was critical in pushing forward the concept of certification in the early 1990s, and in encouraging the AF&PA to develop the Sustainable Forestry Initiative, in particular. Firm officials recounted how the firm was anxious to foster improvements throughout the industry to counter rising public concern about environmental practices. IP took an instrumental role in crafting the SFI program. To a large extent, company officials viewed this as an opportunity for the firm to demonstrate its leadership. As one top manager explained, "executive management put out the expectation that IP was going to lead in lots of areas, including this one." Thus IP helped establish the SFI, was an early adopter of the program, and (in the mid 1990s) encouraged the shift to third-party auditing within the program. It was the first AF&PA firm to actually achieve SFI third-party certification on all of its lands. Furthermore, it also worked aggressively to achieve certification on all of its foreign landholdings as well, either under an ISO14001 environmental management systems approach or under another locally appropriate, forestry-specific certification program. In Canada, IP subsidiary Weldwood was the first company to certify all of its forestry operations to Canada's national sustainable forestry management standard, CAN/CSA Z809, and in New Zealand, Carter Holt Harvey (which is majority owned by IP) helped lead the development of that country's forest certification program. What is interesting about this is that the firm chose not to pursue FSC certification, even though an international "umbrella" program of this type should have been attractive to the firm because of its universalism. Firms like IP that have to operate in a broader (i.e. global) context might be expected to pursue a system that can offer maximum protection. The firm's rapid adoption of ISO 14001 in its industrial operations—largely because of its cache in Europe with both downstream producers and consumers—supports the idea that such universalism was important to IP.

That the firm should have had a preference for FSC seems even more likely when one considers the strong environmental pressures directed against the firm. These environmental pressures were grounded in intense direct action campaigns by environmental groups over the last several decades. More radical groups like Dogwood Alliance, RAN, and Forest Alliance have criticized the firm vociferously. They have employed tactics ranging from detailed press reports and photos showing what the NGOs claim are destructive forest practices to advertisements in major newspapers to marches, banner hangs and other grassroots in-person protests.[4] Often these protests are coordinated "days of action" focusing on retail locations, where protestors use megaphones to inform customers about the environmentally damaging products being sold and the firms that produced them. IP appears frequently in the list of producer firms in campaigns from groups such as RAN and ForestEthics. This type of campaign mingles direct and supply-chain pressures against the firm, potentially increasing NGOs' leverage. In general, NGOs targeting IP alternate between engaging in dialogue with the firm and lambasting it in the press. One top executive within the firm noted a recent about-face by RAN activists, who literally turned from cooperative talks with IP upper management one day to issuing a press release listing the firm on its "dirty dozen list" as a top polluter the next.

Why, given IP's concern with environmental issues and the fact that the firm was directly targeted by environmental groups, did it not simply adopt the FSC? Especially in light of IP's international supply chain and markets, a unified code would have seemed more desirable. The firm did not respond as we expected. Instead, it pursued SFI third-party certification. An initial reexamination of the data suggests that perhaps the explanation lies in the fact that IP faced high transaction costs and a lax regulatory environment in the U.S. (its

[4] http://www.dontbuysfi.com/reports/IPSFI.pdf .

headquarters location). This might mean that there were other pressures besides targeting that were of critical importance in determining the firm's choice between third-party programs.

Officials at IP suggested that high transaction costs can be a deterrent to FSC certification. Because the firm procures about 45% of its U.S. fiber from over 4,000 non-industrial private landowners in the U.S., FSC's chain-of-custody accounting requirements make this standard very difficult to implement. Under the SFI, the firm has more flexibility, although it still invests heavily in training the loggers who harvest the fiber that ends up in IP mills and auditing on-the-ground harvesting practices. When it first sought SFI third-party certification, the firm asked its suppliers to conduct the bulk of audits and to track logger practices. However, IP quickly found that suppliers were reluctant to report problems they found in the field, so the firm shifted to doing the bulk of the audits itself. This suggests that firms may be willing to absorb significant transaction costs; however, the SFI third-party program still imposes significantly fewer costs than the FSC, and this may have made the former program more attractive.

Similarly, the fact IP was not under pressure from regulators may have lessened the incentive to pursue FSC certification. If earlier studies are correct, then firms in more heavily regulated environments will feel the urge to preempt additional regulation by adopting voluntary measures to demonstrate good practices. Firms like IP, which operate predominately in the U.S. South, will not feel such pressure, and will be less likely to participate in (strict) voluntary programs. Therefore, high transaction costs and a lax regulatory environment appear to be possible drivers of IP's decision not to pursue FSC certification.

However, when we consider the second case of direct targeting, PALCO, we see that these variables do not appear to predict the outcome, as PALCO *makes the same programmatic choice* (SFI third-party certification) despite operating with low transaction costs in an extremely strict regulatory environment. Though much smaller than IP, PALCO is the largest producer of redwood in the United States, holding a 44 percent market share in redwood and generating $185 million in revenues in 2001. The firm owns over 220,000 acres of timberland in northern California, mostly second-growth redwood. By the late 1990s, PALCO was under a great deal of financial strain, struggling to pay a sizable debt and avoid a negative credit rating by Standard and Poor's. Poor market conditions for timber worsened the picture, and PALCO's parent company, Maxxam, staggered under a $1.7 billion debt. One of Maxxam's major subsidiaries, Kaiser Aluminum, declared Chapter 11 bankruptcy in 2002. Hoover's predicted that in the absence of market improvements, Maxxam and PALCO would struggle to make it through the decade (www.hoovers.com).

As in the case of IP, internal management at PALCO has assigned a high priority to environmental issues. Under the leadership of President and CEO

Robert E. Manne, who joined the company in 2002, the company recently pushed to earn ISO14001 certification for its environmental management system. Though the firm does not issue an annual environmental report or have a formal environmental policy, it has integrated environmental concerns into its management strategy through its detailed Habitat Conservation Plan (HCP) and Sustained Yield Plan (SYP), which govern its daily operations and long-term resource utilization—in the case of the SYP, for the next 120 years. In addition to the SYP and HCP, the firm employs 35 full-time scientists to assist in forest management, and has at least two top management positions devoted specifically to environmental concerns.

Because of the special nature of the redwood forests owned by PALCO, the company has been subject to extensive scrutiny by environmental groups. The firm has been a chief target of NGOs for the last ten to fifteen years, experiencing every tactic from violent and nonviolent occupation of disputed sections of forest to marches and street protests to press releases, ads and other types of negative media coverage. Firm executives recall protests stretching back to 1985, when PALCO was acquired by Maxxam. During the 1990s, the company fought challenges to its harvesting operations brought by environmental groups concerned with the impact of those operations on species like the spotted owl and the marbled murrelet, both protected by the Endangered Species Act. In 1999, PALCO and several other firms signed the historic Headwaters Agreement with the state of California, agreeing to set aside 10,000 acres of giant redwoods into a public reserve for a pricetag of $480 million.

The Headwaters negotiations provoked intense controversy and conflict between the company and various environmental factions. Groups ranging from national giants like the Sierra Club and the National Audubon Society to regional organizations like the Save the Redwoods League and the Environmental Protection Information Center (EPIC) have targeted the firm, causing a storm of negative media attention. These groups have focused on nonviolent protests, letter writing campaigns, lobbying local and state-level political authorities, and other types of media events (see e.g. http://www.indybay.org/ for a variety of news stories). More radical groups like Earth Liberation Front (ELF) and EarthFirst! have employed what the firm considers "ecoterrorist" tactics, such as monkey wrenching and tree sitting. While some groups supported the final Headwaters agreement, others—like the Sierra Club and EPIC—have remained critical, arguing that state and federal governments granted the company too many concessions in the deal. These groups have continued to interfere with PALCO's logging operations. In the spring of 2003, the firm was locked in a battle with a small group of tree sitters who repeatedly reoccupied redwoods despite numerous arrests and court orders mandating their removal.

In addition, environmental groups continue to criticize the firm's forest management practices in the press. In March 2003, ForestEthics, Greenpeace, and the Sierra Club of British Columbia produced a report entitled *On the Ground: Forest Certification—Green Stamp of Approval or Rubber Stamp of Destruction?* The report profiles firms that NGOs feel have demonstrated weak environmental commitment, describing their certification efforts and management failings. PALCO was concerned enough about this particular report, which was widely distributed by the authoring groups, to issue a rebuttal statement challenging the groups' assertions. In this statement, the company reiterates its substantial commitment to the environment and outlines recent environmental initiatives designed to promote sustainable forestry.

The overall result of the intense campaigns by environmental groups is that PALCO faces a constant, uphill battle to shake the negative reputation attached to it by environmental activists. Earning respect and improving its reputation are clearly among the firm's goals. Firm executives stated a need to demonstrate that they are "good business and community leaders," which they hope to do by making certification part of the firm's "persona."

In addition to experiencing this strong pressure from NGOs, PALCO has faced intense regulation from the state of California, which has the strictest environmental regulations in the U.S. However, PALCO officials argue that certification is not being driven by the threat of additional regulation. All together, the pressures the firm faced encouraged it to adopt SFI third-party certification in April 2001. This was true even though the transaction costs of monitoring forest practices and maintaining a "certified" chain of custody would be low for the firm. PALCO indicated that transaction costs were not a factor in its decision. The firm only buys 5 percent of its fiber from outside sources, and those sources are few (10-15 total) and relatively stable over time. But despite this, and despite intense regulation, high internal environmental commitment, and direct targeting by environmental groups, the firm opted to stick with the industry-sponsored SFI program.

It appears, therefore, that the presence of direct targeting was a strongly influential factor in determining the decision PALCO—as well as IP—made with regard to certification. In fact, officials from both firms indicated similar responses to the pressures directed against them by environmental groups. Rather than driving them toward the FSC, this pressure has strengthened the firms' commitment to the SFI. In the case of IP, pressure from environmental groups (both direct and indirect) led the firm to promote the development of the SFI as an alternative program to the FSC in the first place. IP took a leadership role in developing the SFI in 1994, and in encouraging the metamorphosis of the program into a full-blown, third-party certification program in 1999.

Commenting on campaigns directed against their company, IP officials explained the impact of the adversarial tactics employed by RAN. These tactics—making "nice" one minute only to publicly censure the firm the next—have alienated IP, causing it to shy away from programs endorsed by environmental groups and to avoid negotiating with these groups. IP officials indicated that the damage from such NGO tactics is long-lasting, in that it destroys any trust that might have built up and reduces the firm's incentives to listen and respond to NGO demands.

PALCO's response was similar. PALCO officials actually argued that at this point, the best vehicle for demonstrating good environmental performance is not participation in the NGO-sponsored FSC program but participation in the industry-preferred SFI third-party program. Firm executives expressed a fear that pursuing FSC certification could heighten scrutiny and increase criticism from advocacy groups. Citing the experiences of Mendocino Redwood in California and J.D. Irving in the Canadian Maritimes, two firms whose pursuit of FSC certification aroused heated opposition, PALCO officials feared that rather than satisfying the demands of NGOs and solidifying the firm's reputation as a good environmental actor, pursuing FSC certification might actually exacerbate the campaigns against it. The firm cited stakeholder problems as the biggest reason why it has rejected the FSC. Thus, despite interest in FSC certification from one of its subsidiaries (based on apparent market opportunities), PALCO felt it simply could not afford to risk any additional PR battles with NGOs. Following the industry leaders (including IP), the firm instead moved quickly to adopt SFI third-party certification when that option became available.

For these two firms, then, direct targeting led to a decision against participating in the FSC. Instead of bowing to NGO pressure, firms not only conformed to but actively created and supported a collective-action response, i.e. an alternative third-party program (SFI third-party). This happened despite the fact that both firms indicated in interviews that they had customers asking for certified fiber. Why did this not tip the scales in favor of FSC? Simply because such requests are scarce, involving a couple of customers at the most. Furthermore, customers are not requesting fiber certified under any specific program; instead, they are advancing generic requests for "sustainable" or "certified" fiber. Thus, firms are able to meet market demands for "green" products and protect their reputations by participating in the SFI program over which they maintain control.

Third-party Choice in the Absence of Direct Targeting

Domtar has not been subject to direct targeting by NGOs but has chosen to pursue FSC certification anyway. What drove this firm to pursue the NGO-advocated solution without direct pressure from the environmental community? With sales topping $3.4 billion in 2002, Domtar is the second largest Canadian forest products company and ranks as the ninth largest forest products company in the U.S. market. The company is based in Montreal, Quebec, has production facilities throughout North America, and directly manages over 18 million acres of forestland in Canada and the U.S. (www.domtar.com). The firm specializes in the production of papers (over 80% of sales), including uncoated free sheet paper and other printing, publishing, specialty and technical papers, but also produces packaging and wood products such as lumber (each less than 10% of sales). Domtar competes directly against other large firms like Boise and Smurfit-Stone Container, and less directly with industry giants International Paper and Georgia-Pacific. Unlike many players in the industry, however, Domtar has been successful in maintaining profitability during the volatile market of the 1990s and early 2000s. Domtar obtained FSC certification for its New York holdings (105,000 acres) in April 2000. At this point, the SFI and FSC were both offering third party certification, and the firm made a deliberate choice in favor of FSC. In addition, the company became an FSC-certified Resource Manager in July 2001. In November 2003, shortly after forming a joint venture with Tembec, Domtar announced its intention to move forward with FSC certification for all of its landholdings, both in the U.S. and in Canada. It began pilot projects in the Canadian boreal forest in pursuit of this goal, and has since successfully obtained certification for many of its Ontario and Quebec forest operations (www.domtar.com).

New York has moderately stringent forest practice regulations on private lands contained in the Adirondack State Park. Domtar officials indicated that these regulations, while providing no pressure for certification, did make certification easier because management standards were already high to meet the regulatory requirements. One official at Domtar described it as a matter of "picking the low-hanging fruit." This suggests that regulation may have facilitated the choice for FSC, but did not drive it.

Furthermore, Domtar indicated that low transaction costs were important determinants of the firm's decision. Domtar initially certified only one small portion of its lands, viewing the effort as an "experiment." If costs were not excessive, and the market supported the products, then the company would consider extending its commitment (which it has since done). This suggests that high transaction costs may be a major deterrent for firms interested in adopting a certification program.

Domtar managers also indicated that strong internal environmental commitment was a major driver of the certification decision. Domtar has had a formal environmental policy since 1988, and firm officials profess a strong internal culture of stewardship. This high level of internal environmental commitment drove the firm to consider FSC certification, and to pursue the program despite a variety of concerns (such as cost). Top environmental managers within the firm argued internally that the FSC management requirements were "things the firm should be doing anyway," i.e. "certification is just one of the costs of being good managers of the forest." They said the general feeling was that "certification is just a validation that we are doing a good job." Domtar was also pursuing ISO14001 certification for all of its operations: like International Paper, the firm saw this as an international standard with credentials that would be understood and accepted worldwide. Domtar managers saw the environmental-management-systems approach of ISO14001 as "making good business sense" and as a foundational step that would make earning FSC forest management and chain-of-custody certification easier.

What is particularly interesting is that Domtar was *not* experiencing any direct targeting regarding its forest management practices by environmental groups, either domestically or internationally, around the time it made its decision to pursue FSC. In the early 1990s, its papermaking operations had been subject to direct criticism by NGOs, including Greenpeace, for emissions of dioxins and furans, toxins released from pulp production facilities. However, this controversy was resolved and the mid-1990s were quiet for the firm. Domtar managers knew, of course, that FSC was the NGO-endorsed program. Firm officials said that one of the reasons they began investigating FSC as a possibility for their third-party certification option was that this was "the only credible system" according to NGOs. The firm thought that participating in the program might strengthen ties to major NGOs like World Wildlife Fund (WWF), which would offer market advantages such as a green customer base and, for specific products, possibly even a price premium. In addition, approval from environmental groups would provide positive reputational benefits and potentially shield the firm from direct action campaigns in the future. Firm officials specifically mentioned ForestEthics and Greenpeace, two of the groups that have been most active in direct campaigns against other firms, indicating that the indirect pressures at work in this sector are substantial.

However, the firm itself was not a direct target, and firm officials noted that rather than being a response to direct NGO pressures, their decision to obtain FSC certification actually *provoked* higher scrutiny from environmental groups. This echoes the expressed concern of PALCO officials, who shied away from the FSC partly for fear of attracting attention and criticism. In Domtar's case, groups that had never bothered the firm suddenly began asking questions about the firm's forest management practices. In 2002, two years after obtaining FSC certification in New York, Domtar became a target of the Paper Campaign run by NGOs such as RAN and ForestEthics. This ongoing campaign has been aimed at producer firms and major retailers, such as Staples and Victoria's Secret, and criticizes their operations in the Canadian Boreal region.[5] Ironically, it seems that firms pursuing FSC certification – perhaps, like Domtar, in pursuit of as-yet-elusive market opportunities and benefits—may find themselves the target of groups searching for a "skeleton in the closet."

While there is great variability among U.S. forest products firms, and the factors that influence decisionmaking within any individual firm will reflect that diversity, the experiences of these four major industrial firms do help to inform our understanding of industrial behavior and regime choice. Specifically, cross-case comparisons suggest that some of the other factors that we predicted might be important determinants of certification choices—such as environmental commitment, transaction costs and stringency of the regulatory environment—do not adequately explain firm choices. In all of the firms we studied, with the exception of Longview, the top management assigns a high priority to environmental issues, yet the firms made varying choices with regard to certification. All of the firms except International Paper operate in regulatory environments of moderate or high stringency. Again, however, the firms operating in these environments made very different choices with regard to certification.

With regard to customer demand, all of the firms have experienced customer requests for certified fiber, suggesting that market pressures toward certification may be present. However, these pressures appear to be ubiquitous and weak; all of the firms in the study acknowledged that customer demands for certified fiber have been rare, involving at most a handful of customers out of dozens or even hundreds. In addition, the firms all indicated that the actual market benefits of certification have been essentially non-existent, and this is true across product lines. While big monopsonists like Home Depot initially declared that they would give "preference" to FSC-certified products, this never translated into widespread sales due to scarcity in the availability of FSC wood. These retail firms now generally accept fiber certified under any program without discrimination. Therefore, there is no market bias in favor of FSC over SFI at least in the short-run. While supply chain pressures have contributed to the general sense among forestry firms that participation in an independently audited certification program is desirable, at least for now, such pressures do not determine firms' choices *among* programs.

Transaction costs do appear to be influential: several firms indicated that this was an important factor in their decisionmaking. However, transaction costs do not seem to be clearly correlated with specific programmatic choices: though two firms indicated they experienced high costs of monitoring for chain-of-custody certification, and the other two firms said these costs were low, the

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[5] See http://www.dontbuysfi.com/reports/Bringing_Down_the_Boreal.pdf.

certification choices made by firms in each group varied. Therefore, though firms clearly consider transaction costs, other factors may be more important in determining their final decision.

Specifically, direct targeting appears to be very important. We observed that firms responded to such targeting in an unexpected way: contrary to our predictions, the two firms that did experience direct targeting opted for SFI third-party certification, rather than the NGO-endorsed FSC. The other two firms did not experience any direct targeting; these firms opted for either SFI first-party or FSC certification. The details of these cases suggest that direct targeting played a very important role in determining these outcomes.

Conclusions

Theoretically, forestry should have been an easy case to explain the success of direct targeting by NGOs because firms were financially vulnerable and wanted to shield themselves from the relentless NGO attacks (which might lead to stringent public regulations) on their forestry practices. Yet, we find that direct targeting by advocacy groups against firms did not lead firms to conform to NGOs' programmatic goals. The results of our case studies suggest that NGO tactics that further aggravated existing adversarial relationships with firms led the targeted actors to "resist" rather than to "acquiesce" (Spar and La Mure, 2003). Rather than seeking to pacify NGO criticism by obtaining FSC certification as their European counterparts had done, U.S.-based firms sought to sidestep that criticism by moving to SFI third-party certification. In other words, the firms *did* feel the need to respond to NGOs—to invest in "reputation capital" and to protect their "social license to operate," as Gunningham et al., (2003) predict—but they attempted to do so on their own terms. This was true even under conditions of high vulnerability. Thus, our cases demonstrate that while normative pressures are important in prompting behavioral change from firms (i.e. provoking the emergence of certification and its further maturation into a more rigorous third-party form), the institutional context is critical in determining the *character* of that response. In the U.S, given the history of their interactions with NGOs, many forestry firms are distrustful of advocacy groups. They believe that NGOs have neither the right nor the competence to tell them how to run their forestry operations. Thus, although firms were provoked to participate in certification programs generally, the adversarial context and the relatively high level of industry solidarity in the U.S. contributed to the general preference for SFI over FSC. The importance of the domestic backdrop in this case suggests that in formulating their global campaigns, transnational NGOs may need to focus on multi-domestic political strategies rather than a common global strategy (Baron, 2000).

A second important conclusion that can be drawn from the evidence in these cases is that the battles between advocacy groups and corporations appear to be eclipsing companies' decisions even in the face of other important variables such as regulatory environment, internal environmental commitment, customer demands for certified fiber, and transaction costs. Importantly, even firms operating in regulatory environments of moderate to high stringency did not join the rigorous NGO-sponsored program. Thus, we must consider more carefully the assertion that firms operating in highly regulated sectors are more likely to join private authority regimes.

The impact of strong internal environmental commitment also seems to be mediated by the relationship between the firm and NGOs. The cases show that while some firms in which environmental issues have been assigned a high priority by internal management choose the most stringent, NGO-advocated certification program, others do not. It is not the *level* of internal commitment that explains the difference, but the *nature* of the internal commitment. Specifically, some CEOs and other top executives claim to have been so outraged by the tactics of environmental groups, and so angered by these groups' persistent, unrelenting criticism of the industry, that they have become unwilling to adopt the NGO-advocated solution simply out of a refusal to work with those parties.

This paper has important implications for the study of NGO political strategy. It does *not* suggest that NGO campaigns do not have significant substantive impact on the behavior of firms. If we view the range of possible responses by firms as a continuum, we see that NGOs are effective in forcing movement along this continuum. While firms may not have adopted NGO's preferred programmatic solution (the FSC), they have agreed to abide by particular forest management practices as formalized in the SFI program. As NGO demands have increased, so too have the substantive concessions from industry: the SFI program's standards have become more stringent, third-party auditing has become widespread, and firms are encouraging their peers to join the program. Forest management practices have improved, external oversight has increased, and firms are acknowledging that regulatory compliance is insufficient to protect their market positions. Although we view the development of SFI as a strategy of resistance, arguably it has also created opportunities for organizational learning. This learning has sensitized forestry firms to new, "beyond-compliance" expectations regarding their forestry practices. Future research should examine whether, as a consequence of this learning, forestry firms and their suppliers begin to manage their forests in more ecologically benign ways. However, this organizational learning has not improved firms' trust towards NGOs; firms continue to hold on to their preferences for controlling their institutional environment.

The presence of an array of NGOs also means that there are always radical NGOs that will not be satisfied with actions that satisfy more moderate NGOs. Therefore, any agreement with NGOs leaves firms open to opportunism. Moreover, radical NGOs such as RAN and Greenpeace participate in the FSC, and any firm participating in the FSC runs the risk of being held hostage by these NGOs.[6] Radical NGOs have a niche in the NGO market and may have little reason to change. Instead, the radical NGOs may have pushed the firms toward interaction with moderate NGOs, some of which have supported the SFI. Future research should investigate how politics among NGOs might affect the overall nature of NGO advocacy and create opportunities for targeted actors to collaborate with NGOs that are more closely aligned with their objectives.

Without doubt, the industry-specific nature of the NGO-preferred private authority regime in the forest products sector facilitated a collective-action response by forestry firms. As this case shows, a well-established industry association with strong industry leaders can succeed in organizing and promoting a cohesive collective response. Such collective action is easier to promote when the regime in question is one that specifically, and unquestionably, applies to that particular sector. "Generic" or cross-industry codes, such as ISO14001, are open to a wider range of participants. Therefore, they are less likely to be controlled by lead firms or associations in any particular industry. The mechanisms for ensuring cohesion among various firms' responses will be weaker under these circumstances. NGOs may find they have greater influence: without the collective response to fall back on, individual firms may find themselves more vulnerable to NGO pressures and may conform to NGO demands rather than attempting to carve out an alternative path. Thus by altering the focus of their demands, rather than reducing the intensity of those demands, NGOs might advance their programmatic demands more successfully.

The NGO community itself is diverse and beset by conflicts among goals, strategies and tactics (Cooley and Ron, 2002; Henderson, 2002). Arguably, there is a niche for some groups to move beyond 'contentious politics' (Tarrow, 1994); Environmental Defense Fund and The Nature Conservancy have done this successfully. While the fire lit by direct targeting campaigns may prompt firms to action, perhaps NGOs like these which are poised to offer cooperative solutions will find themselves at the bargaining table when industry answers the call for private governance. And without corporate buy-in, private regimes will never achieve more than niche-market status. Much to the disappointment of their NGO

[6] What assurance do firms have that the FSC will not revise its standards upward (without any grandfathering) once they have joined it? FSC standards may be raised either to satisfy opportunistic demands from NGOs supporting the FSC, or to fend off criticism from radical NGOs that are not part of the FSC.

sponsors, programs in other sectors such as coffee and fish have attracted few participants. Whether NGOs are comfortable altering their long-standing political strategies predicated on contentious politics is a critical question, as much as what particular types of interactions will best promote the achievement of NGOs' goals.

In conclusion, we hope this paper will encourage more studies of the responses of targeted actors, whether states, firms, or other parties, to campaigns by NGOs, and more thorough handling of cases of "mixed" or partial success of transnational advocacy in both public and private politics. By correcting the existing bias towards studying only transnational advocacy success from the perspective of NGOs (the targeters), scholars will be in a better position to examine questions such as: (a) How does the domestic context influence the efficacy of transnational advocacy? (b) What insights from transnational advocacy via public politics can be transferred to advocacy via private politics? (c) Are firms (as a category) more vulnerable than governments to transnational advocacy? (d) How do advocacy groups decide (and how ought they decide) on the relative salience of public versus private politics when targeting firms, and are they satisfied with the substantive outcomes of their efforts? and (e) To what extent are private regimes actually effective in changing behavior in desired directions?

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