Corporate social responsibility in forestry

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Corporate social responsibility practices should address sustainability issues important to local stakeholders – issues that are best identified locally.

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Over time, society's expectations of businesses as responsible social institutions have increased and evolved. The idea that business has some social responsibility is not new, but corporate social responsibility (CSR) has drawn increased attention in the past decade, partially as a result of corporate scandals arising from a misalignment between industry's judgment regarding its responsibilities and the concomitant judgment of society. Another factor explaining increased attention to CSR is the advent of globalization, a phenomenon that connects global corporations with local communities across the globe, with notable social implications.

Societies conceptualize CSR differently depending on the socio-economic context. At one extreme are societies – usually with a high level of economic development and strong democratic traditions – that expect business to be a vehicle for sustainable development. At the other extreme are societies – usually less economically developed – that expect business to be a purely economic activity that provides jobs and fulfils other economic functions. Societal expectations of business responsibilities broaden as a society passes through the phases of economic development and as its population increasingly seeks to meet not only physical but also social and personal-growth needs.

The regulatory framework surrounding business organizations and society's expectations of business are tied together, but in different ways. In some countries, regulations shape societal perceptions, while in others societal expectations influence the regulatory framework. The legal requirements that business must meet can also differ a great deal from one society to another. Such differences in legal requirements may lead multinational companies to move their operations to locations with less stringent environmental and social regulations – a phenomenon known as "industrial flight" or "race to the bottom".

There is no single commonly accepted definition of CSR. The World Business Council for Sustainable Development (2000) integrated aspects of the concept of sustainable development in its definition, "the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". Since the post-Rio world has increasingly been converging around a sustainable development mandate, this definition has gained increasing recognition. Corporate definitions of CSR reflect a similar approach. For example, Stora Enso (2008), one of the leading forest products companies, maintains that its CSR principles "cover issues including human rights, labour rights, ethical business practices, communications and community involvement".

In an economically globalized world,

Because of the costs involved, smaller companies in developing countries may pay less attention to CSR concerns such as worker safety (furniture production, New Delhi, India)

corporations are subject to global expectations, and a globally accepted and broad concept like sustainable development fits well with the economic, social and environmental responsibilities of global corporations. Accordingly, the triple bottom line approach to CSR (Elkington, 1997) suggests that a business organization must strive to balance these three areas of responsibility. Because of its alignment with the concept of sustainable development, this approach is widely applied around the world. Associating CSR with sustainable development has become so common that CSR reporting is often called sustainability reporting.

This article suggests an issues management methodology that can help companies in the wood products sector better manage their CSR focus.

CSR IN THE WOOD PRODUCTS SECTOR

Societal expectations of business differ not only by country and culture but also from one industry to another. Accordingly, the Global Reporting Initiative

(GRI; see www.globalreporting.org) includes sector supplements addressing the unique needs of specific sectors as part of its Reporting Framework. However, there is no such supplement for the forestry sector.

The wood products sector operates under more intense public scrutiny than other extraction-based industries (Bhambri and Sonnenfield, 1988; Nasi, Nasi and Zyglidopoulos, 1997) because wood comes from forests and forests are commonly seen by the public as natural places that should be relatively untouched by humans. Forest certification and eco-labelling are two important concepts to ensure that wood is sourced from sustainably managed forests. But CSR can go further.

Of the 100 largest forest products companies in the world, 61 are reported to have produced sustainability reports (PricewaterhouseCoopers, 2007), and the proportion is increasing. However, most of the social (health and safety) and environmental (air emissions) indicators that these companies use in their sustainability reports are already part of

legislative requirements. As such, these reports do not show the companies to be making any extralegal commitments to help society and the environment.

In addition, most of the companies that publish sustainability reports are headquartered in developed countries. In developing countries much attention has focused on the social and environmental aspects of forestry practices, but less information is readily available regarding the social and environmental performance of forest products manufacturers.

Additionally, there is more literature pertaining to CSR practices of large companies than of small ones. In India, for example, some large paper companies, such as Ballarpur Industries and Star Papers, place emphasis on their social responsibility, yet the state of CSR is largely unexamined in the thousands of small sawmilling facilities. Because of the costs, larger companies may engage in CSR practices more often than smaller ones, which may for example give less attention to applying safety measures and complying with existing environmental regulations.

It may be argued that different societies will take different routes to achieving sustainability (Kennedy, 2007). In the same vein, CSR programmes and standards should be defined locally. Well-intended programmes may be perceived as company rhetoric if the local context is not given adequate consideration. Illustrating the different CSR needs of different societies, Panwar and Hansen (2007) presented separate sets of economic, social and environmental issues that stakeholders in the United States and India think forest products manufacturers in their countries should address.

Because societal expectations and the regulatory framework governing business are linked as described above, in countries that have higher standards of regulations (as well as compliance) some issues may not be seen as part of a CSR portfolio. For example, worker safety and working conditions are not considered important issues for United States forest products companies from a CSR perspective, whereas they might be important in other societies that have either weak regulations governing workers' conditions or ineffective compliance with regulations that are in place. Child labour may be an issue in developing countries; while legislation aims to abolish it, a socially responsible company might go further, for example by giving children opportunities for skills development training or formal education.

A WAY FORWARD: ISSUES MANAGEMENT FOR FOREST PRODUCTS COMPANIES

A company interested in embracing CSR is confronted with a choice of approaches and methods, for example stakeholder management (focusing on those groups that are affected by or can affect a company's decisions), corporate social performance (focusing on outcome) and issues management (focusing on problems rather than groups).

In issues management, identification of

issues is the first step. This can be done by interviewing key stakeholders to identify issues that they consider important and worthy of managerial attention. To improve on this method, Panwar (2008) proposed a second stage, a Delphi process – i.e. a process in which a group of neutral and informed participants answer questions and give controlled feedback in an iterative process until agreement is reached – to refine the list of issues generated via interviews. A concise list will help those companies that desire to start implementing CSR in small steps. A longer list is useful for companies that have already taken some initiatives to adopt CSR and are ready to further invest.

A research project at Oregon State University in the United States recently used this approach to develop a set of issues that United States forest product companies must address in order to be socially responsible. Panwar (2008) conducted 13 interviews with key stakeholders including representatives from non-governmental organizations interested in the forest sector, government officers in the federal Forest Service, political office holders, representatives of industry associations and university extension officers that routinely interact with industry. In all, 12 social and 20 environmental issues were identified for attention. In order to make this list concise, a two-round Delphi process

was conducted with faculty members dealing with forest products business from different United States universities. After the second round, consensus was reached among participants regarding six social and six environmental issues that should be addressed by socially responsible forest products industries in the United States (see Box).

With modifications, this approach could be used in other countries. The issues management process can help companies develop CSR programmes that are time and context relevant, while simultaneously ensuring their legitimacy as they are based on societal expectations rather than on negotiation among powerful stakeholders, as is typically the case in the more prevalent stakeholder management approach.

FUTURE OF CSR IN FORESTRY

Societies interact with nature in different ways, and commercialization of forest resources has already had a tremendous impact on the way many forest-based communities interact with nature. Thus it is important that CSR practices be based on input from local stakeholders rather than importing regulations from outside. Experts in forestry, business, sociology and anthropology can help develop CSR programmes suited for local contexts. This is especially important for nature-based sectors such as forestry and forest products since

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Issues for socially responsible forest products industry in the United States, identified through an issues management process

SOCIAL ISSUES
- Encourage public scrutiny of environmental and land management practices
- Invest in surrounding communities
- Promote responsible consumption among consumers
- Stem declining employment in the sector
- Engage with surrounding communities
- Improve industry's public image

ENVIRONMENTAL ISSUES
- Promote sustainable forestry practices
- Increase the use of renewable resources
- Adopt environmentally sound purchasing policies
- Mitigate global warming
- Reduce overall energy consumption
- Improve waste management

they are pivotal to livelihoods in many societies. CSR standards must avoid a "one size fits all" approach. To this end, the authors advocate the development of a supplement for forest products in the GRI Reporting Framework, as well as a way to include country-specific considerations.

CSR, in combination with sustainable forest management, has potential to enable companies to foster a better state of the world's forests and societies. But imported concepts and standards can turn into rhetoric whose only purpose is to strengthen a company's image in society, undermining the promise that CSR holds for securing sustainability. A locally focused approach can help CSR become a legitimate tool for helping business define its role in society. ◆

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