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Doing Business in a Changing Society: Part II

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Description: Perspectives on the environmental and social responsibilities of corporations and family-owned companies by industry managers and the general public.

Methods: Mail Survey

Data Source: Two sources within the states of Washington, Oregon, Idaho, and Montana: i) the general public and ii) forest products industry executives.

Key Findings: 1) The general public's expectations of corporations and family-owned companies are significantly higher than their perceptions of current industry performance along social and environmental issues

2) Executive's perceptions of current social and environmental performance of corporations and family-owned companies are significantly higher than perceptions of the general public

3) Executive's perceptions of expected social and environmental performance for corporations and family-owned companies are significantly lower than the perceptions of the general public

Introduction

A changing global business environment has necessitated that companies transcend an exclusive profit orientation by assuming broader social and environmental responsibilities for ensuring their survival and growth. This applies to all companies regardless of their size or ownership. A shift in company thinking for incorporating social and environmental considerations in their objective-setting is especially relevant and vital for the forest products sector since public scrutiny of forest products companies has intensified over the years.

Two significant challenges, however, that companies face are: (i) what activities to focus on as a part of social and environmental activities, and (ii) how to align with larger societal perceptions regarding company performance.

While the first part of this research outlined the social and environmental issues that the US forest products companies

must address in order to be socially responsible, our focus here, is on how forest products companies are viewed by the general public with regard to current and expected performance along social and environmental issues. Further, comparisons are made between the perceptions of the general public and that of industry executives. Results can help industry executives understand how their views may be misaligned with larger society and allow those executives to develop strategies for better aligning with societal values.

Methods

Mail surveys were conducted within the states of Washington, Oregon, Idaho, and Montana. For the general public, a random sample of 2000 total residents age 18 and above was selected. Over 275 usable responses were received for a response rate of 15%. For the industry sample, all forest products companies having 50 or more employees were selected. Top executives from 430 companies were contacted and 94 usable responses were received (22% response rate). A total of 12 items (six social and six environmental issues) were used from a previous stage of this research:

Social issues

- 1) Encourage public scrutiny of environmental and land management practices
- 2) Invest in surrounding communities
- 3) Promote responsible consumption among consumers
- 4) Stem declining employment in the sector
- 5) Engage with the surrounding communities
- 6) Improve industry's public image

Environmental issues

- 1) Promote sustainable forestry practices
- 2) Increase the use of renewable resources
- 3) Adopt environmentally sound purchasing policies
- 4) Mitigate global warming
- 5) Reduce overall energy consumption
- 6) Improve waste management

Respondents' rated their perceptions regarding industry's current and expected performance on each of the 12 items.

Each item (for both the current and expected performance categories) was separated for responses pertaining to corporations and to family-owned companies. Each issue was assessed in four different situations: (i) current and (ii) expected performance levels pertaining to corporations, and (iii) current and (iv) expected performance levels pertaining to family-owned companies. Results are presented as two composite scores, one representing social issues and the other environmental issues.

Results

Figures 1-3 summarize results. Figure 1 illustrates the gap between how the general public views current levels of performance by the forest industry and how they would like to see the industry perform.

Figure 2 illustrates the gaps between general public respondents and industry executives with respect to current performance. Industry executives consider industry's current performance to be significantly higher than general public respondents.

In terms of expected industry performance (Figure 3), general public respondents have higher expectations than industry respondents. For both corporations and family-owned companies, these results are statistically significant.

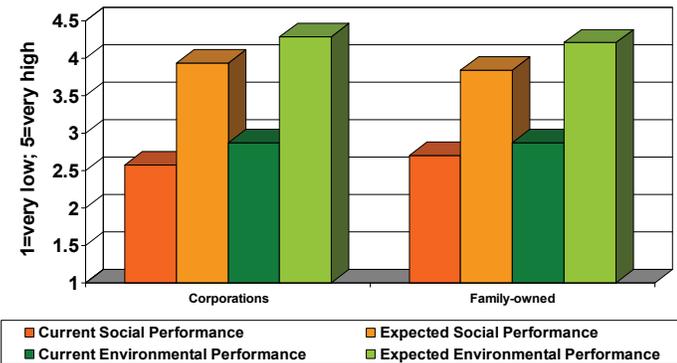


Figure 1: General public perspectives regarding current and expected performance by forest industry companies

Managerial Implications

Addressing important social and environmental issues is likely to enable a company to gain higher credibility. The differences between industry executives and the general public indicate that industry should not only focus on improving its performance along key social and environmental issues, but also improve its communication to the public about its performance. It is also important for industry to appreciate that the general public has higher

expectations regarding industry performance than they do as company managers/owners.

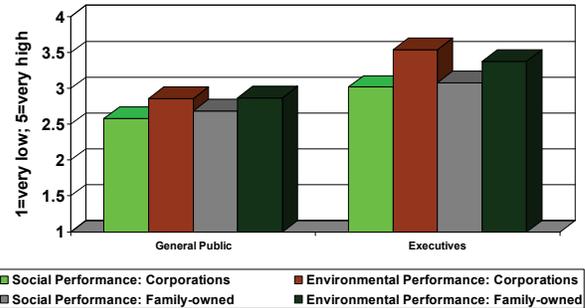


Figure 2: General public versus industry executive perspectives regarding current performance by forest industry companies

In order to enjoy increased social acceptance and reputation, US forest companies should aspire to higher social and environmental performance. There were no significant differences between corporations and family-owned companies suggesting that industry's performance is viewed as a "whole", countering a common perception that family-owned companies are seen differently than corporations. As social and environmental scrutiny of the forest products industry increases, it is important for industry to further align itself with a changing societal mandate as well as communicate its efforts more effectively.

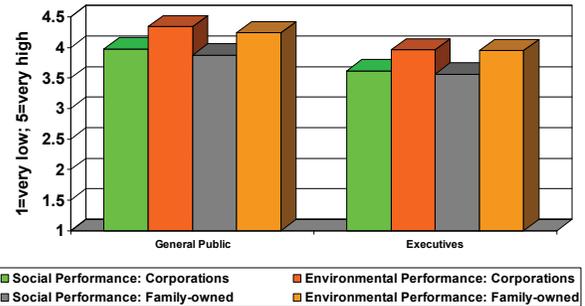


Figure 3: General public versus industry executive perspectives regarding expected performance by forest industry companies

Conclusions

The set of social and environmental issues developed in this research should not be considered exhaustive. However, it may be a useful starting point for companies since these issues have been suggested by a variety of sources and condensed by a neutral yet knowledgeable academic community. Each company must tailor its issue set to its own unique context, strengths, and weaknesses.



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