Case Study

Turning Conflict into Cooperation

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Rainforest Action Network activists climbed the pillars of a Union Bank of California building in San Francisco and hung a banner protesting Mitsubishi’s environmental policies. At the time, 1996, Union Bank was owned by the Mitsubishi Bank.

turning

CONFLICT

into

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Ten years ago, top executives at three Mitsubishi companies were suddenly faced with a consumer boycott by Rainforest Action Network (RAN), an activist NGO that was willing to wage a protracted war against the corporation’s brand in order to get it to change its business practices. Instead of fighting RAN, the companies did exactly the opposite of what most of its lawyers, public relations experts, and crisis professionals advised them at the time: They sat down and engaged in a dialogue with the group’s leaders.

After many fits and starts, the dialogue between RAN and Mitsubishi resulted in several significant achievements. It created a precedent-setting agreement that helped drive sustainable forestry practices at some 400 companies, a new system for measuring corporate environmental and social impacts, and some close personal friendships between former foes, which continue to this day. No laws were enacted in the process, no regulations promulgated, and no lawsuits filed. Yet the impacts of that early engagement continue to multiply even today.

The tactics that RAN employed – dubbed “stakeholder engagement” and “market campaigns” – have become standard operating practice at many NGOs. Instead of trying to get governments to enact laws, these NGOs target companies that they believe have negative social and environmental impacts with public campaigns that place the company’s brand at risk.

Often, these tactics have made significant contributions to changing company behavior. Home Depot’s commitment to avoid sourcing products from endangered forests is one example. Other successes have occurred outside forestry, like Nike’s creation of a code of business conduct for its suppliers, and Citibank’s adoption of the Equator Principles to guide its lending practices.

The changes that individual companies have embarked on have, on occasion, spread beyond the trendsetters to include large numbers of firms. The forestry industry has undergone the most change of any sector, but even here much remains to be done. Later in the article, we take a close look at how these types of campaigns have impacted six different sectors – forestry, finance, mining, apparel, chemicals, and oil and natural gas – as well as some of the lessons that can be learned from these experiences. But first, we return to RAN’s campaign against Mitsubishi.

RAN Targets Mitsubishi

RAN’s global campaign against Japanese giant Mitsubishi started innocuously enough. In January 1993, Tachi Kiuchi, then chairman and CEO of Mitsubishi Electric America, began receiving a steady stream of letters from elementary school students, asking him why his company was destroying the world’s rain forests. The letters puzzled him. Mitsubishi Electric didn’t own any forests, and it used very little paper. How could it be impacting the rain forest?

From his headquarters in Torrance, Calif., Kiuchi called Richard Recchia, then COO of Mitsubishi Motors’ U.S. sales arm, whose headquarters was just down the street. His company, it turned out, was also the target of a rain forest campaign. Protesters were locking themselves inside Mitsubishi automobiles at car shows around the country, drawing publicity for their cause.

The force behind the actions was the San Francisco group Rainforest Action Network. According to RAN founder and current board president Randall Hayes, RAN’s real target was a third company, Mitsubishi Corp., a Japanese trading company responsible for perhaps 3 percent of the world’s trade in tropical timber.

To understand why RAN targeted all of the Mitsubishi companies, including those that had no operations in the rain forest, requires a brief step back into history. “General MacArthur broke up the...
[Mitsubishi] companies after World War II,” explains Jim Brumm, general counsel for Mitsubishi Corp. and an influential member of the corporate board. “Each Mitsubishi company retained the right to use the same name, but they could not be subsidiaries. Because of this, we at Mitsubishi Corp. view Mitsubishi Electric and Mitsubishi Motors as our clients.” But “the general public doesn’t realize that the Mitsubishi companies are all separate and distinct businesses,” Brumm says. The public’s inability to distinguish between the various companies bearing the Mitsubishi name, and the fact that the companies often work together to protect the name, gave RAN a strategic opportunity to apply pressure.

RAN is the ultimate market campaign NGO. Rather than advocating laws, like the Sierra Club, or suing companies, like the Natural Resources Defense Council, RAN concentrates on direct action in the social and economic marketplace. If it can discredit the names or disrupt the business activities of the companies it targets, it believes that it can devastate the profits from rain forest destruction. The problem that RAN faced is that most consumers have never heard of most of the tropical timber harvesters. And even if it had, most of the companies do not sell directly to the public, making a consumer boycott difficult.

That’s why RAN picked Mitsubishi. It had a recognizable name, and the various companies it owned or that bore the Mitsubishi name sold numerous products to consumers. Mitsubishi Corp. was one of several companies that shared small and roughly equal portions of the tropical timber trade. If RAN could target consumers of autos and electronics, thought Hayes, perhaps those companies could exert pressure on Mitsubishi Corp. to change its timber practices. And if Mitsubishi changed, maybe the rest of the industry would, too.

Starting a Dialogue
The initial reaction from executives at Mitsubishi Electric and Mitsubishi Motors was defensive. They considered the boycott illegitimate. Why should they respond to what they considered a lie – RAN’s assertion that the companies were tightly connected?

But Kiuchi soon decided that fairness wasn’t the issue, and took a different approach. “The companies are separate, but nobody knows this except us,” he says. “I decided it was better to do something about the problem, rather than worry so much about the name confusion.”

Still, no one at Mitsubishi wanted to sit down with RAN. “The perception at the time was that RAN was too radical to deal with,” acknowledges Hayes. The conventional wisdom, codified in public relations manuals for dealing with groups like his, was to “isolate the radicals” by working with “mainstream” groups.

As RAN’s rhetoric increased, Recchia decided to meet the people behind
the attack on his company. He met with Michael Marx, the head of RAN’s Mitsubishi boycott, but the initial meeting did not go well. According to Recchia, it degenerated into an angry exchange, as both sides gathered up everything they felt was unfair about the other’s actions and “got it off their chests.”

So Kiuchi and Recchia regrouped and took a different approach. They called for a meeting with Brumm and his colleagues at Mitsubishi Corp., to encourage them to do something about the RAN boycott and the issues it raised. To prepare, Kiuchi visited the rain forests of Borneo, Malaysia, one of the sites in RAN’s campaign, and learned firsthand about the issues.

In June 1993, six months after the first letters protesting Mitsubishi’s practices began arriving, Brumm, Kiuchi, Recchia, and their colleagues at Mitsubishi met privately for a day. They brought in two experts to advise them. One was the prestigious public relations firm Hill & Knowlton. It advised the companies that RAN was a fringe group whose radical actions were having little, if any, impact on the general public. Rather than acknowledging RAN directly, the companies should conduct a low-key campaign to bolster their environmental image among the media and opinion leaders, the firm recommended.

The other expert was Global Futures, a nonprofit consultancy that had orchestrated several unusual alliances between environmental activists and major corporations. Bill Shireman, president and CEO of Global Futures, advised the Mitsubishi companies to take a more proactive approach by evaluating their environmental performance, engaging with stakeholders to earn their trust, and choosing a set of actions that could both protect the environment and build their reputations. Recchia convinced the three Mitsubishi companies to retain Global Futures to develop a strategic plan.

Moving to Direct Engagement
Implementing the first part of the plan – putting together an inventory of Mitsubishi’s environmental assets – was relatively easy. Implementing the second part of the plan – engaging directly with environmental stakeholders – proved to be more difficult. The three companies still saw no point in direct engagements with RAN, whose founder had said that he wanted to “take down a multinational.”

Instead, the companies started with indirect engagements. Kiuchi hit the speaking circuit, giving a keynote address at Ecotech, a major environmental conference with a positive, pro-technology theme. Meanwhile, Shireman met informally with Marx and others at RAN to find opportunities for productive dialogue. These contacts eventually broke down perceptions that RAN was incapable of reasoned dialogue, and later led to direct meetings between RAN

Ten Lessons for NGOs Waging Corporate Pressure Campaigns

1. Focus the campaign on a company with a valuable brand. Find ways to harness the influence the company has over its business partners to create change throughout the company’s supply chain.
2. Expect both sides to express pent-up frustrations during the first meetings. Listen and learn from the process, and don’t let it deter you from holding future meetings.
3. Use a combination of carrots and sticks when pressuring a company. A sticks-only approach may close the door to dialogue and block opportunities for progress.
4. Partnerships between NGOs in the same niche frequently fail. The chances of success increase when NGOs bring unique strengths and have clearly defined roles.
5. Be prepared for the fact that engagements often veer between extremes of optimism and pessimism in the early stages, before taking a realistic course.
6. Consider targeting the largest buyers of the product you are protesting, instead of just the largest sellers.
7. Find actions that a company can easily take, but which effect systemic change throughout the marketplace.
8. Look for, and be aware of, how sustainability initiatives can save a company money, drive needed change, and create a competitive advantage.
9. Once a company’s top executives and internal change agents commit to sustainability, their commitment will continue to drive improvements, even beyond the company.
10. Be wary of waging campaigns that demonize a company. These can leave a long legacy of negative feelings, making it difficult to rally your supporters around an agreement and to earn the trust of company executives.
and Mitsubishi.

To implement the third part of the plan – being proactive on forest protection – a third party was brought in who was respected by both Mitsubishi and RAN: Amory Lovins, the energy-efficiency guru who heads the Rocky Mountain Institute. After lengthy planning sessions between Shireman, Lovins, and the three Mitsubishi executives, two new organizations were formed: the Systems Group on Forestry and Future 500.

The Systems Group on Forestry would develop potential solutions to forest destruction, as well as systematic steps companies could take to leverage their market positions to protect forests. Future 500 would convene corporate and environmental stakeholders to consider other systemic and market-based actions for sustainability, and to develop tools and processes for more effective engagements between them. The three Mitsubishi companies were the first members of both organizations.

The Systems Group held three meetings but never produced a promised final report. It did, however, have several positive effects. The meetings educated corporate leaders about forestry issues, and it developed relationships among the many stakeholders. Hayes and Brumm became close friends, a relationship that would later lead to other initiatives.

Other relationships blossomed as well. Recchia and Marx discovered a common passion for fly-fishing. Their most productive meeting occurred during a one-on-one fly-fishing expedition. Global Futures facilitated direct discussions between all three companies and RAN. The first meeting was exceedingly positive, with all sides finding more areas of agreement than they expected. The second meeting was mostly negative, as all sides retreated. By the third meeting, realism finally began to prevail, as the companies and activists realized what might be achieved if they set their minds to it.

**Striking an Accord**

As they came to understand RAN better, Kiuchi and Recchia grew increasingly convinced that direct engagement could end the boycott. Mitsubishi Corp., however, was unconvinced. During the summer of 1996, in a tumultuous meeting in Tokyo between top executives from the three companies, Mitsubishi Corp. broke off direct discussions with RAN and dropped out of its partnerships with Mitsubishi Electric and Mitsubishi Motors.

Freed from Mitsubishi Corp.’s more conservative approach, Kiuchi and Recchia asked Shireman to work toward a formal agreement with RAN. The agreement was based on the belief that even though Mitsubishi Electric and Mitsubishi Motors did not buy large quantities of timber and paper products, their sheer size and links into global supply chains might generate an impact far beyond the companies themselves. Signed in February 1998, the agreement stipulated that Mitsubishi Electric and Mitsubishi Motors would, among other things:

- Phase out purchase of paper or timber from old-growth sources by 1998.
- Achieve a 75 percent reduction in paper use by 1999.
- Phase out of all wood products by 2002.
- Commit Mitsubishi Motors to offer "carbon offsets" tied to sales of its Montero LS, proceeds from which would fund forest reserves.
- Commit Mitsubishi Motors to lobby President Clinton’s administration to reduce carbon emissions. Mitsubishi Motors would be the first major car company to do so.
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Once the two Mitsubishi companies made a commitment not to buy old-growth lumber products, hundreds of other companies followed suit.

- Establish a comprehensive system of eco-accounting to measure the net value created by a company, after accounting for social and environmental externalities.

The agreement was risky for all sides. The companies had to trust that RAN would not besiege them with additional demands after they signed. RAN had to demonstrate to its activist base that the agreement was worthwhile even though it did not directly require the company to change its logging practices. Both sides had to overcome internal factions determined never to strike an agreement with the enemy.

What Was Accomplished

One of the most powerful portions of the agreement turned out to be the phaseout of old-growth paper and timber purchases. Because neither company purchased many old-growth products, this step was relatively easy and inexpensive for the Mitsubishi companies to adhere to – though one timber company reportedly cancelled a contract with Mitsubishi Electric over it.

But the ripple effect was tremendous. Once the two Mitsubishi companies made their commitment, hundreds of other companies followed suit. The combined buying power of all these companies created a healthy and growing market for sustainable timber, and set the stage for several later agreements.

“It was really the first agreement between corporate entities and an NGO that took a systems approach,” says Hayes. “This was one of the first times issues of supply chain management were addressed.”

The other clause that spread beyond the two Mitsubishi companies was the eco-accounting commitment. To implement it, Future 500 developed a tool for Mitsubishi Electric and Mitsubishi Motors that consolidated several existing systems for measuring corporate social and environmental performance. The tool evolved into a process now known as Global Citizenship 360, which has been adopted by Coca-Cola, General Motors, and a dozen other large corporations.

The most controversial clause committed Mitsubishi Motors to be the first auto company to buy carbon credits for a line of its automobiles and to fund forest reserves operated by indigenous communities. The company has never implemented the clause, nor has RAN ever pressed it to do so. Some RAN leaders object to Mitsubishi funding the program because they feel it undermines the credibility of the organization, even if the funds do not actually go to RAN. Others hope the clause will eventually be followed, once the now-struggling auto company regains its financial footing.

But what about Mitsubishi Corp., which was not party to any formal agreements with RAN? “The truth is, we ended up getting what we wanted from Mitsubishi Corp., even though we never engaged in a formal agreement with the company,” says Hayes.

Under the leadership of Brumm, Mitsubishi Corp. ultimately went through an internal process to change its approach to buying timber. And because of the forestry issue, Brumm started investigating other environmental concerns. “It opened my eyes and challenged my attitude. What exactly are we doing at Mitsubishi Corp. about the environment? We really should accept some responsibility – at least in principle – on how and where we cut trees,” Brumm says.

Mitsubishi Corp. ended up committing to a certification program developed by the Forest Stewardship Council (FSC), the gold standard of certification programs for sustainable wood products. There is not yet an adequate supply of FSC-certified timber and paper products for the firm to fill all of its orders, but that is its first product choice for customers. Mitsubishi Corp.

...
tainability can’t stop at the executive suite. One weakness of the Mitsubishi-RAN agreements was that support for it waned after the departure of Kiuchi and Recchia from their companies. “The older leaders and managers who might have understood why the agreements were made in the first place are now often gone,” laments Hayes. “These are the folks who could explain to a new generation of employees why these agreements should be implemented with integrity.”

Perhaps the biggest impact of the protracted engagement between RAN and Mitsubishi was to advance two important trends in corporate-stakeholder relations. The first is market campaigns – initiatives like RAN’s initial boycott of Mitsubishi. The second is stakeholder engagements – the approach Mitsubishi employed to resolve its conflict with RAN. Hayes believes these two trends have helped revitalize the social change movement, even with the lack of leadership from government. “We learned that you do not have to deal with corrupt government agencies or Congress, who are bought off by the big corporate money. We activists can go directly to the corporations to get the behavior changes that we want.”

**Why Market Campaigns Work**

Market campaigns have emerged as a force for promoting environmental conservation and social justice for three principal reasons. First, the growing power of NGOs today is based on the public’s belief that they are more likely to act in society’s best interest than a private corporation. A 2005 poll conducted by GlobeScan (formerly Environics) for the World Economic Forum shows that the trust/mistrust gap between NGOs and multinational companies is almost 40 percent. (See graph, left.)

The second reason that market campaigns work is that governments around the world are retreating from direct regulation of environmental and social problems in favor of market-oriented approaches. As a consequence, these issues are being increasingly left to the private sector.

The third reason for the growing influence of NGOs is the increased vulnerability of companies to market pressures as a consequence of governments’ retreat from their traditional regulatory role. A company that is free to operate in the market is also susceptible to these same market forces when they are employed by NGOs to force the company to change its behavior and policies. A company that builds a strong brand is susceptible to change when forces are brought to bear that undermine the brand and what it represents.

A variety of factors influence how much a market campaign succeeds in moving a single company, a group of companies, or ideally, a whole sector toward fundamental improvements in their operating practices, such as whether:

- Material business value has been placed at risk, and the company’s brand has been undermined.
- Company senior management is committed to change and responds with positive actions.
- There is an internal champion who is either a senior executive or who has the support of senior management.
- A cross section of NGOs acts in concert to push and pull the company toward the goal.
- External market campaign activities are complemented by internal coach-
Charting Environmental NGOs

They vary on two dimensions: degree of protectionism and use of public pressure

PUBLIC PRESSURE

<table>
<thead>
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<th>High</th>
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<td>CAMPAIGNERS</td>
<td>IMPLEMENTERS</td>
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| Greenpeace | Rainforest Action Network | World Wildlife Fund | Ducks Unlimited |

PROTECTIONISM

| Low | High |

Types of NGOs

NGOs come in all shapes and sizes. One way to divide them is between market campaigners and implementation groups. Market campaigners help get issues on the corporate agenda and create urgency around an issue, often by attacking the company’s brand. Implementation groups often work as intermediaries between market campaigners and companies, either by working inside companies to help direct and coach change, or by helping define solutions such as standards of performance. The two types of NGOs, although occasionally in competition, quite often complement one another in driving change.

Another way to segment NGOs is by organizations’ interpretations of the concept of sustainability. This axis stretches from a strict protectionist interpretation of sustainability (the wilderness standard) to a fully integrated approach involving social, economic, and environmental considerations. Within the realm of forestry, for example, many grassroots organizations advocate strictly protecting a landscape from any type of use. Other organizations, such as Ducks Unlimited, approach landscape use as part of a system of human and environmental concerns.

A third way to segment the NGO community is by an organization’s willingness to use public pressure to accomplish its goals. Along this axis, groups either use public pressure routinely or avoid its use in the hopes of working out solutions outside of the public’s eye. RAN is an example of an NGO that has used public pressure very effectively in campaigning for the protection of forests around the world.

The best way to understand these differentiations is to map them on a matrix. The chart above depicts where NGOs in the forestry sector fall on the dimensions of public pressure use and notions of sustainability.

The interplay between different types of NGOs is an important driving force in whether change took place. However, the position of an NGO within this segmentation is not static. It can shift according to the specific issue being addressed. The World Wildlife Fund (WWF, or the World Wide Fund for Nature as it is called outside the U.S.), for example, is a member of the imple-
Evolution of Market Campaigns

Market campaigns change over time. The diagram above shows the path that most campaigns undergo as they evolve. It provides a description of the important characteristics that define each stage of development. And it plots the stage of development of North American companies in six industries.

The nascent stage captures market campaign projects that are new or whose market impact has been little to none. The interplay of market campaigners and implementation groups in this stage is such that campaigners look to implementation groups for research and options for improvement. At the same time, implementation groups look to campaigners to get the issue on the radar screen and to show that value is at stake for companies. The recent campaign against the use of PVC in children’s toys, healthcare, construction, and packaging is also an example of a campaign that is still in its early stage of development. Campaigns in the oil and gas sector have been around for many years but have not been effective, which is why they are still in the nascent stage.

The catalytic stage refers to when market campaigns are beginning to inspire industrial reactions, typically by one or more industry leaders. During this stage, campaigners have gotten a company’s attention by demonstrating that they can affect the value of the company’s brand, and implementation groups begin presenting options to the targeted company. The mining sector is in the catalytic stage. Leading mining companies such as Rio Tinto and BHP Billiton have begun to work with NGOs to develop environmental and social performance standards. The apparel industry is also at this stage. A few leading brands, such as Nike, have reacted to the market campaigns, but the industry as a whole is not responding.

The growth stage is when a market
campaign really begins to have an impact. During this stage, even companies that have not been the targets of specific campaigns begin to address the issues. Implementation groups rely on campaigners to “keep the heat,” while campaigners look to the implementation groups to help with the “how” in implementing change. Market campaigns in the finance sector, which appear to have moved quickly through the first two stages, are at the beginning of the growth stage as financial institutions of their own accord are responding to market campaign messages. The forestry sector is the furthest along in changing an entire industry. Yet even here, changes are still far from being embedded and irreversible.

We assume that a mature stage will occur, but given the fact that no campaign has yet reached this point, we will leave it up to future analyses to define this stage in more detail.

Future Challenges
Both NGOs and companies have learned from targeting and being targeted for questionable practices. For market campaigns to continue to be effective, the following outstanding issues need to be addressed:

• Change in industry takes a long time and therefore support for market campaigns over the long term is essential. For example, approximately $500,000 has been spent in the mining sector over the last 10 years toward the development of operations principles. This is a relatively small amount of funding over a long period of time, and progress is only slowly becoming apparent.

• There is presently little financial reward for companies that choose to do the right thing. To continue the momentum that has been achieved, it is important to demonstrate that companies that have adopted socially responsible practices also win in the marketplace.

• It is uncertain to what extent a market campaigner NGO can transition into a implementation group NGO. Numerous companies have said that the issue of trust makes it difficult for an NGO to play a dual role. If this is true, it means that coordination between different types of NGOs and long-term funding of both is critical.

• People are translating market campaigns into widespread sector changes, but a broader set of stakeholders will be necessary to take campaigns to the mature stage, where changes are permanent and irreversible. A model for this is the agreement around the Great Bear Rainforest involving all types of NGOs, First Nations, and the provincial government of British Columbia.

Market campaigns have become more sophisticated and effective, emerging as a critical method for driving companies to change their behavior. As effective as these campaigns have become, they have not yet achieved their final goal of changing entire industries. To achieve real and sustained progress, strategies that incorporate a diverse group of sector stakeholders and that offer both punishment and reward will prove to be the most successful.

2 Each of the sectors identified has some regional differences in regard to their state of evolution. Arguably, the mining sector is one where actions by leading companies in Australia have put the evolution of that sector at the top of the growth stage. We’ve chosen to concentrate on the North American mining sector given the likely audience for this article and to highlight the potential for moving a sector from one stage to the next.