

# **Corporate social responsibility as a business strategy: Stora Enso-WWF partnership for sustainable forest management in Russia**

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## **Abstract**

The paper examines the cooperation between the World Wildlife Fund (WWF) and the concern Stora Enso during implementation of the “Pskov Model Forest” project in North West Russia.

In this paper I draw from the theory of organizational isomorphism, which is based on three types of institutional influences to adopt an organizational innovation: coercive, mimetic, and normative (DiMaggio and Powell, 1983). The concept of mimetic isomorphism was particularly important for this paper. The paper is based on qualitative field research during two expeditions to the area (in 2002 and 2006) and follow up updates in 2007-2008. In total 39 interviews have been conducted.

Through the project Stora Enso attempted to create an optimum algorithm for successful business routine in this country. This algorithm was intended to be applied in all Stora Enso daughter enterprises working in different regions in Russia. Thus, the mimic isomorphism would be exploited. However, instability and turbulence of organizational fields in Russian regions has become an obstacle in carrying out this plan in its original form. For its part WWF also tried to create a model of sustainable forest management which could be further disseminated over the country. In this case, the aforementioned solution of Rosleskhoz on creation of model forests network has opened up prospects of realizing the principle of mimic isomorphism, however, time will show how it is implemented in practice.

## **1. Introduction**

Interaction between NGOs and business may be based on different principles. The interaction vary from confrontation in the form of market campaigns and consumers’ boycotts to “soft inducement” through mechanisms of standardization and certification, or even in a more advanced way by creative NGO-business partnership. Cooperation aimed at building the models of sustainability on the ground, that will be analyzed here, provides an example of innovative type of partnership which creates a policy generating network that brings institutional change to the local place in Russia.

Transnational corporations which established their branches in the developing countries with cheap labor force and, as a rule, with lower environmental and social standards try to benefit from such conditions, and eventually are exposed to pressure by NGO international networks. This especially concerns the companies with the world-known brands (Conroy, 2001, P. 2-3; O'Rourke 2005, p. 117-119). Standardization and certification function through revealing and encouraging corporations which give evidence of social and environmental responsibility and ensures "safety" for the brand.. The level of corporations' social responsibility varies. Some of them only enhance workers safety, comply with generally accepted nature protection norms, and /or use resource-saving technologies. Others do more: they support infrastructure of local communities, launch small grant programs, thereby developing local democracy by supporting community initiatives. The extent of their involvement in the development of social responsibility depends on a combination of local, national and transnational contexts in certain locality, and also on activity of different stakeholders, including NGOs.

Joint development of sustainable business models involving economic, environmental and social components has become one of the examples of partnership between NGOs and corporations. The development of such models helps transnational corporations to adapt for specificity of social, economic and political context of the countries which they work in. In different countries they have to adjust their business to numerous challenges at once. On the one hand, they should take into account the legislation and established rules of the country in which they are located. On the other hand, it is necessary to conform to international ethical and regulatory norms of business activity. In addition, they usually adhere to their own corporate policy which they should follow irrespective of the location of their subsidiaries. Building models that can be later on transferred to all localities of business operation is one of the ways of developing optimum practices to adjust to both national and global contexts. If lessons learned in the process of model building can subsequently be applied in other localities of particular country or region the business operations can be standardized. In the case of successful introducing the developed innovations and practices into all daughter enterprises and subsidiaries, transaction costs of business decrease to a considerable extent.<sup>1</sup> At the same time the sustainability practices involve more localities which is beneficial for them. NGOs within such network contribute to the development of such models by helping enterprises to contact stakeholders and thus becoming sort of "transmitter" of ideas from business to the society and vice versa (Tysiachniouk, 2006).

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<sup>1</sup> Transactional costs, as we see it, are those not connected directly with production: as, e.g., expenses receiving any permits, endorsements with different actors; establishing trust relationship with local authorities, the community and stakeholders

In this paper, I focus on strategic partner relations between transnational concern Stora Enso and international nongovernmental organization WWF, which have developed in the course of constructing a model of sustainable forest management and certifying forest management operations using the FSC scheme. The outside donor funding from SIDA was used to enable NGO to reach out the local community and stakeholders. The paper will dwell upon advantages which strategic partnership with NGOs provides for business, the role of partnership in transmission of global discourses on sustainability to the concrete practices in a specific locality. Furthermore, I assess the possibility of reproducing these practices in other localities.

## 2. Theoretical background

Neo-institutional approach is used in this paper (DiMaggio and Powell, 1983; Meyer and Rowan 1977; Scott 1995, p. 29-31) Institutions mean roles of the game that organizes interaction between actors. If institutions are effective they reduce the uncertainty of the environment and allow actors to reduce transaction costs related to the exchange (North: 1990; Scott: 1995). Organizations operate within the institutional fields (DiMaggio 1991, p. 268-290, Bartley 2003). Institutional fields under certain contexts can act in favor or be a barrier of institutional change. In order to decrease uncertainty institutional fields have a tendency to be isomorphic (DiMaggio, Powell: 1985). Under isomorphism sociology understands the processes that bring institutional fields and inter-organizational roles to homogeny. This allows groups of actors to react more smoothly on external changes. Organizational isomorphism, which is based on three types of institutional influences to adopt an organizational innovation: coercive, mimetic, and normative (DiMaggio and Powell, 1983). The concept of mimetic isomorphism was particularly important for this paper.

New roles brought by global actors, such as international foundations, conventions, NGOs and TNCs affect the local institutional fields and create new arenas for stakeholder interaction therefore I call these transnational actors agents of institutional change. I will evaluate the effectiveness of TNC business strategy as of an agent of institutional change (Peng 2002, p. 252; Tempel and Walgenbach 2007). In my case study, the turbulent organizational environment in Russia brought additional complexity to the process of institutional change and in translating globally developed rules into local practices.

### **3. Data and methodology**

The paper is based on qualitative field research during two expeditions to the area in 2002 (17 interviews) and 2006 (22 interviews) and follow up interviews in 2007-2008. In total 39 interviews have been conducted. Case study approach was used and situation interpreted through the lenses of the informants of different groups of stakeholders. Snowballing technique have been used to identify four major groups of informants. The first group was formed by representatives of civil society institutions from WWF office in Moscow, St. Petersburg and Strugy Krasnie (in 2002) and on the local level, such as teachers, club's and libraries representatives. The second group was represented by power structures of different levels in Russia and SIDA in Sweden. The third included community representatives. The forth representatives of Stora Enso business network: STF-Strug, St. Petersburg office, Stokholm office (Sweden), and Imatra office (Finland). For each of the groups guidelines for the interviews were developed separately taking into account their specifics. Participant observation was used at meetings. During the field expeditions field notes were kept and used for the analysis.

### **4. Empirical results**

#### **4.1 Transnational actors of institutional change**

The model forest was being developed on the part of the territory of Strugokrasnenskii forest management unit in the Pskov region on the forest land leased by Stora Enso subsidiary STF-Strug, total area being 18400 hectares.

The case examines the cooperation of major agents of institutional change the WWF and the concern Stora Enso in translating ideas designed globally to the concrete practices in the space of place during implementation of the "Pskov Model Forest" project. The "Pskov Model Forest" project

was in the different shares financed by all three transnational actors: the SIDA was the major granting agency, Stora Enso, and the German department of WWF.

Stakeholders within the project involved transnational actors, on the one hand, and local, on the other. Project implementing staff was hired especially for this project and served as a major channel of translation of global standards and desires of transnational actors to local practices. Project experts originally from Research Institute of Forestry were developing innovative methods of felling, promoting relations with stakeholders, and coordinating implementation. The Stora Enso subsidiary STF-Strug was obliged to strictly follow novel practices and do felling in line with innovative approaches developed in the framework of the project.

For WWF, the promotion of model forest projects is a way to involve business into sustainable forest management and to encourage its environmental and social responsibility. Following its mission, in this project WWF was sequentially advancing its corporate strategy and its logo, while introducing innovative environmental approaches to forest management. Co-financing has allowed WWF to position itself as a project holder as well the implementer with all project achievements.

Stora Enso in Russia had to solve the problems encountered in post-socialist transition period: continual reforming in of state governing bodies and forest legislation, institutional turbulence, and other realities of the time. It was important for the company to find models for commercial forestry in Russia: “It was a development project, our business was developing together with Russian society development, its legislative system and law enforcement.... We needed the holistic forest management model with information on forest resources, inventory, planning, participatory methods and effective implementation.<sup>2</sup>” In this situation the partnership with such powerful organization as WWF helped the company to adapt their business to Russian conditions. The Pskov model forest could also become a proper place for demonstration of advantages of Scandinavian harvesting methods with the view of their further dissemination in Russia. WWF, as Stora Enso’s strategic partner, assisted in resolving problems coming from state structures, local stakeholders and the population; It also contributed to “legitimizing” Stora Enso in the eyes of international stakeholders including buyers of final products.

The financing of projects promoting sustainability as well as advancing Swedish business in Russia was one of priority of SIDA financial activity: at the time when the project was launched, Sweden and Russia had developed timber trade relations. Moreover, the Swedish Parliament has declared a whole number of initiatives (e.g., rendering help to countries with transition economy, promoting democracy in Central and East Europe,

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<sup>2</sup> Interview with a Stora Enso manager on certification, Stockholm, March 2008

supporting socially stable transition to market economy, advancing ideas of sustainable development, etc.) which urged SIDA finance the project. It was a part of SIDA initiative in poverty reduction in developing countries and the idea behind was that if the profitability of Russian timber industry would increase through intensification of forest management this would contribute to the well being of local communities in rural Russia<sup>3</sup>. Another goal was to Swedish forest sector cooperation with Russia in all levels, making forestry in Russia transparent and legal. Despite the fact that SIDA did not participated directly in implementation of the Pskov model forest, the agency contributed to involving Swedish specialists in the project: scientists and experts visited the model forest for consultations and research. This has promoted Scandinavian technologies used in the Pskov model forest and fostered the intensification of forest management. Swedish Forest Agency was also pressing for democratic way of decision making, emphasizing the need of ordinary citizen involvement<sup>4</sup>.

#### **4.2 Transfer of global standards into local place**

In “Pskov Model Forest” project the introduction of global practices into particular locality went in several crossed and complementary streams (see diagram 1). On the one hand, it was held through FSC forest certification being promoted by WWF all over Russia, and through application of corporate practices of “Stora Enso” in its subsidiary “STF-Strug” on the other. Several agents were important in channeling global designs to the locality. The most important were forest experts within the Pscov Model Forest implementing team that were adjusting the Scandinavian model of intensive forest management to the conditions in Russia. In the process of certification, the Pscov Model Forest implementing team was engaged in its “content” preparation, including nature conservation planning, involving the population in forest governance, developing and introducing innovations in forest exploitation. In order to develop a living laboratory of sustainable forestry on Russian soil PMF involved many experts, both international and local in all economics, natural sciences and sociology. The expert community served as an additional stream for adjusting global discourses to the local context. FSC auditors Smartwood (later its subsidiary Nepcon) also contributed to the interpretation on how the sustainability standards should be implemented in a Russian locality.

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<sup>3</sup> Interview with the Manager of Russian-Swedish cooperation program, Swedish Forest agency, Stockholm, March 2008

<sup>4</sup> Interview with Swedish Forest Agency representative, Stockholm, March, 2008

Management of the STF-Strug enterprise towards required standards for the FSC were basically in charge of Stora Enso. Stora Enso adheres to common corporate policy implemented worldwide, which includes environmental, economic and social components. Among others, corporate policy includes labor standards, and also the issues of health and safety of employees. Thus, realization of FSC standards at STF-Strug in training workers, supplying them with uniforms, fulfilling requirements for accident monitoring and prevention, and complying with workers' rights have been ensured by Stora Enso. "STF-Strug" was required to following the routine standards of corporate policy of Stora Enso.

From its start, the PMF mediated different kind of issues and tried to solve conflicts between STF-Strug and the other stakeholders: the leskhoz and its workers, government officials from federal regional and levels, the forest management unit, the regional administration, and the local public. These networks were coordinated and negotiated by using certain methods to interest each stakeholder in the model forest project. The goal was to bring all of them into the decision-making process for the management of the region's forests. The sustainability of this approach to forestry was based on the sustainability of relationships between stakeholders. The intension was to build policy networks so that they lasted beyond the timeframe of the PMF.

### **4.3 Interaction with the governments**

The first step in gaining permission to create the Model Forest outside of the normative base was to convince various levels of the forest sector that sustainable forestry is necessary and beneficial in many ways. WWF used its own channels for cooperation with state structures. Representatives of WWF Forest Program are members of Public Council at Rosleskhoz where they gradually advance the ideas of sustainable forest exploitation. In 1999, prior launching the project, WWF and Rosleskhoz signed an agreement on cooperation in the field of forest governance and preservation of biodiversity. According to the Agreement, WWF assumed the conceptualization of model forests. This document has become an opportunity to involve Rosselkhoz in the activity to be promoted by the WWF. Interaction with Rosleskhoz has somewhat contributed to obtaining a special status for model forest. This status favored experimentation with felling and the development of new standards for forest exploitation. To avoid problems with local authorities, relevant agreements with regional structures related to forest management were signed as well. These agreements envisaged involvement of state structures in the advisory board and working groups of the project. According to these agreements, WWF was allowed to undertake the experimentation on development of regulatory approaches to forestry. PMF implementers used various methods of educating and befriending the

government in order to gain their support. Their efforts were aimed at members of the leskhoz who directly supervise the logging operations, the regional government officials who enforce norms and legislation, and officials on the federal level who set forest management policy for the whole of Russian territory. WWF tried to establish a network that would link all of these levels to the Model Forest project and would work for its implementation. They held seminars and workshops, including trips to Sweden to study sustainable logging sites, to which government officials of different levels were invited<sup>5</sup>.

Cooperation with federal structures would ensure relative freedom in performing experiments within the project. After making considerable efforts, the Forest Agency at the Department for Natural Resources of the Pskov region and administration of the Pskov region have become partners of the project at regional and local levels, constructive relations with local forestry management unit also have been established. By negotiating with different levels of the government, PMF received permission to log in a certain way that the local forest management unit does not penalize them for their innovations that contradict the existing legislation.

Research director of the project took an active part in promoting the developed in PMF standards at federal level. However, there were no tangible results as concerns introducing these standards at the federal level. Thereby both WWF and Stora Enso in many aspects have achieved constructive favorable relationship with state authorities. The problem of introducing new standards developed within the PMF project into forest legislation has not been solved by the end of the project, in 2008.

At different stages of the project, relations with Strugokrasnenskii leskhoz<sup>6</sup> were developing differently. At the very beginning, it refused to recognize the project as partner, and treated it as something alien that was trying to break the existing order with their innovations and practices. As forest management staff person said, “At first it was a little hard to understand the goals of the project<sup>7</sup>.”

Attempts to introduce some elements of sustainable forest management practices which contradicted the Russian legislation into neighboring territories (also leased by “STF-Strug” but without special status) were actively opposed by the Strugokrasnenskii leskhoz. Its employees treated such innovations as “STF-Strug” workers’ low qualification, rather than as attempts to disseminate practices of biodiversity maintenance: “... their managers are not specialists, they all have come from Soviet Collective farms, and their vision of forestry is therefore, absolutely different.”<sup>8</sup>

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<sup>5</sup> Interview with vice-chair of Department of Forest Use, Pskov oblast, 2002

<sup>6</sup> State forest management unit

<sup>7</sup> Interview with director of Strugy-Krasnie leskhoz, 2002

<sup>8</sup> Interview with forester, 2006

However, during the research expedition in 2006 the author registered appreciable change in attitudes of towards “STF-Strug” practices. Some of informants remarked that “STF-Strug” was the oldest and one of most responsible leaseholders. “They keep forest roads in order; they are engaged in silviculture, they leave seed trees and undergrowth on forest plots.”<sup>9</sup> Another informant remarks that this company is engaged even in economically unfavorable, but necessary for sustainable forestry activities such as thinning in young forests. He does not consider foreign origin of the company as evidence of its being “alien” to Russian realities, but on the contrary treats it as indicator of its responsibility: “They are influenced by the West, indeed, and are more concerned with forestry issues, and even reforestation and non-commercial thinning are of equal interest for them.”<sup>10</sup> However, still a paradoxical situation has developed around the project. The latter cannot introduce innovative practices on the territories which were planned to be involved (i.e., territories rented by “STF-Strug” not included into the Model Forest).<sup>11</sup>

Efficient cooperation with both regional and local administration has been a necessary condition for PMF successful embedding in an existing context in the space of place. Being guided by this idea, project implementing team was searching for ways to establish partnership with regional and local authorities. Relationships with the Pskov regional administration was developing gradually, as after each reelection or restructuring of regional structures it was necessary to establish new relations and to present the Project again and again. At the last stage of the project, close cooperation with the Department of Education was established; this concerned presentation of the textbook on sustainable forest management developed and published within the project for high school students. Networking with members of local administration was one of the simpler steps in PMF’s efforts. Administration of Strugokrasnenskii region has supported “STF-Strug” long before the Project was launched, as at that time this enterprise was the main taxpayer in the region.

#### **4.4 Building relationships with local people**

On early stages people looked suspiciously on the project as they did not understand its purposes. It was necessary for the project to overcome the prejudices of the local population against any foreign company which, as people considered, “came to cut down forests, get profit and abandon the

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<sup>9</sup> Interview with forester of Uzlinskii region, 2006

<sup>10</sup> Interview with director of Strugokrasnenskii forest management unit, 2006

<sup>11</sup> Interview with research manager of the Project, March 2008

place, having left a desert behind.<sup>12</sup> PMF was actively engaged in informing the population about the Project and its purposes through Media. They published informational press releases about the project in regional and federal publications, created a website, and aired television and radio shows.<sup>13</sup> As project implementers were interested in natural embedding of the PMF ideas in local community, they actively participated in various actions related to local cultural traditions. Within the project PMF supported construction an orthodox chapel, organizing the Pancake festival and school graduation party.<sup>14</sup> Environmental actions, such as forest festivals, ecological and sport events, have become another strategy of attracting population<sup>15</sup> WWF's small grant program was a tool used to link the local population to the PMF. One of the strategies in the grant program was to take activities that already existed and enhance their quality while steering them towards support of the Model Forest. For the Project lifetime, 32 small grants were financed. With the Small grant support teachers created such programs as recycling, education, nature calendars, computer education. Inclusion of the public in decision-making on forest management was a necessary measure, on the one hand, because this was one of requirements of FSC certification; and on the other, all experts and visitors coming to the model forest from abroad were first of all interested in questions of public participation in forestry-related decision-making: "In the West it is a favorite subject. They come and immediately inquire whether our public is involved in decision-making process."<sup>16</sup> The project implementers were themselves suspicious on the issue of public participation: "Maybe it is important to involve the public in Western countries, but here we have a different mentality<sup>17</sup>". Therefore they created the institutional infrastructure for stakeholder meetings. In order to involve public in discussions about forest issues PMF organized a forest club, the idea being borrowed from Priluzie Model Forest<sup>18</sup> another project of WWF. The task of forest club was to inform the population and the stakeholders about implementation of the Project and other relevant questions. One of PMF implementers told: When visitors ask the question, "how is the public involved?". We know the drill, we have Forest Club, and so when such people come we refer them to the Forest Club and they are happy because we have their all possible stakeholders<sup>19</sup>. Club sessions were attended by invited representatives of administration, leskhoz, school, libraries, and also grantees and eco-activists. The meetings were under way of heated discussions. As the population was hostile towards cuttings, it had lots of questions and advanced their claims

<sup>12</sup> Informal conversation with a woman at the market in Strugi Krasnie, 2002

<sup>13</sup> "Report on Public Relations of Project Pskov Model Forest from June 2000 to December 2001".

<sup>14</sup> Interview with director of the Project, 2002

<sup>15</sup> Interview with Pskov WWF office manager, 2002

<sup>16</sup> Interview with participant of the Project, 2002

<sup>17</sup> Interview with one of the PMF staff, 2002

<sup>18</sup> Interview with PMF staff member, 2002

<sup>19</sup> Interview with PMF implementer, 2002

many of which were addressed not so much to the project as to village administration. Those present wanted to get answers to their questions: who cut forests, why they are cut, where wood is hauled, and how forest exploitation is organized in the region. The questions concerned also firewood, sawn-wood, removal of waste, etc.: “At the beginning, there was much talking because everything was unclear and it gave rise to a lot of questions concerning forest management in our region.”<sup>20</sup> The Forest Club, however, never became a forum of negotiation where the decisions about the project would be made. It was a space for the information exchange between the PMF implementers and the stakeholders.

Public hearings were held only once to discuss the forest management plan during the state forest inventory process in 2002. PMF used a scenario method developed in a pilot project of the World Bank on the Karelian Isthmus.<sup>21</sup> By this method, experts developed several scenarios of how forest management can develop, each giving different weights to ecological, economic, and social factors of the forests. The discussion during the hearings has resulted in the plan which represented a compromise between economic component, on the one hand, and environmental and social ones, on the other. More environmentally-oriented scenario (of two most reasonable) was accepted provided for preservation of wood grouse mating areas.<sup>22</sup> Such model of hearings is hardly applicable to other regions, since the existing rigid federal regulation in forest management has limited the range of possible scenarios.<sup>23</sup>

#### **4.5 Outcomes of the WWF-Stora Enso strategic partnership**

The PMF was directed both inward to the space of place (locality) and outward to transnational spaces (western sensitive markets). When implementing the PMF project, WWF contributed to legitimization of the company within the community of international stakeholders. The results of the project on this matter were most tangible on foreign markets as completely satisfied the stakeholders in transnational spaces.

As was mentioned above, transnational corporations functioning in the different countries, propagate their global strategies and approaches in localities. In our case Stora Enso was a “transmitter” of Scandinavian forestry technologies, and the PMF being a key actor in adapting these

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<sup>20</sup> Interview with activist of forest club, 2007

<sup>21</sup> Romanyuk, B. D. “Pskov Model Forest: Public Participation in Forest Planning”, published by WWF 2001.

<sup>22</sup> Interview with research director of the Project, March 2008

<sup>23</sup> Interview with research director of the Project, St. Petersburg, March 2008

transnational practices to locality as well as developing innovations that can suit local context. The role of WWF was to establish relationship with stakeholders at different levels for introducing these transnational practices.

Among positive results of the PMF project, were intensive forestry technologies for total cycle (100 years) developed within the project. This would allow doing logging most effectively combining economic benefits with environmental expediency.<sup>24</sup> The PMF developed a concept on how proceed with FSC certification in Russia with all necessary documentation, it developed an extensive package of documents that would advanced the extensive model of forest management and was a “learning opportunity” for the partners<sup>25</sup>.

During the project the expert community was formed and NGO Greenforest was raised. Greenforest become a registered consultant at the FSC office in Russia and started to reproduce developments of the PMF in other forest management operations for companies that were preparing for FSC certification. In particular, they were preparing and implementing nature conservation planning including designation of high conservation value forests in preparation to FSC certification on territories including those leased by Stora Enso. Greenforest specialists make these plans detailed and teach companies how to use the plan properly.<sup>26</sup>

The research has shown that the PMF was Stora Enso’s strategy of adaptation of Russian realities to its own business, rather than vice versa. WWF, on its part, was also interested in transformation of Russian forestry institutions aiming to achieve greater conformity of the latter with the idea of sustainable forest management. There were attempts to adjust Scandinavian forest management practices to Russian context: to adapt them to Russian conditions and to create new standards. It was supposed to further introduce these standards at legislative level. This would be favorable for both foreign and domestic companies working on international markets. However, eventually these practices could be institutionalized only on the territory of the model forest.

Since 2006, Stora Enso has reproduces the methodology of nature conservation planning to its subsidiaries. Although, this methodology was not approved at the federal level it was still possible to find alternative legal ways for its implementation through allocation of special protection zones. In each region of Stora Enso operation, its subsidiaries had to solve encountered problems in different ways, mostly through ordering special forest management plans to the forest inventory agency. Allocation of key biotopes has broached a question of its understanding by representatives of state

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<sup>24</sup> Interview with research director of the Project, St. Petersburg, March 2008

<sup>25</sup> Interview with manager on certification at Stora Enso, March 2008

<sup>26</sup> Participant observation during the training seminar for Stora Enso personnel in charge of certification, November 2007

forestry units. When allotting logging plots together with forestry unit staff, the company had to name key biotopes the “noncommercial forest zones,” which are allowed to leave on the cutting plot. In such a way biodiversity could be preserved.

The reproduction of lessons learned with population within the PMF project to other territories was also complicated, though for other reasons. As was mentioned above, the scenario approach used in public hearings during the project is almost not applicable in ordinary conditions. To reproduce the Forest Club many resources are needed for building up interested stakeholder community. Generally, the major funder of the project SIDA was very much satisfied by the development of innovations in intensive forest management and documenting tools for sustainable forestry. However, they were not completely satisfied with dissemination of project outcomes as only a small community of Russian experts and a few number of companies was taught to use the above mentioned tools<sup>27</sup>.

## 5. Discussion and conclusion

The case of forest management has shown how institutional fields (which at national level are formed by the interaction between federal, regional and local actors) are being influenced by global rules and norms in the course of certification process. This process is sporadic in the beginning; it spreads to particular geographical areas involved in certification, and gradually intensifies as these areas expand. Therein, the Pskov Model forest is a special case where impact of global practices on national institutional field was simultaneously realized through two channels - through certification, on the one hand, and through the model forest building, on another. Two major agents translated global designs into local practices: Stora Enso and WWF. As the research has shown, the process of introducing global norms into institutional fields is far from being smooth in Russia, as the state norms (Forest Code 2007, regulations in the sphere of forest management, etc.) “resist” the changes introduced by transnational NGOs and corporations. This “resistance” is neither consequent nor intentional; it is more likely connected with institutional turbulence in transition processes in Russian economy over recent years. There is a paradoxical situation when the state “switches on green and red traffic lights” simultaneously. This, for example, happened with the Convention on biodiversity which Russia ratified yet in 1995, but did not develop relevant standards for preservation of biodiversity during commercial forest exploitation. As a result, enterprises that are passing certification, are compelled to

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<sup>27</sup> Interview with the representative of Swedish Forest Agency, Stockholm, March 2008

find workarounds so that to conform with the requirements concerning biodiversity conservation. Otherwise, if they acted squarely, it would be an infringement of the existing Russian legislation and would entail fines. Stora Enso is an object of dual coercive isomorphism. It is exposed to double pressure: on the one hand, from the state norms of institutional field, and from global standards of forest certification, on the other. Both pressing parties have surveillance bodies for supervising compliance subsequently of national and global rules which often contradict each other. To satisfy each party, Stora Enso, as well as other corporations that precede FSC certification, has to search different individual methods of approaching representatives of these parties. The solution found in particular cases gradually turn to informal code of rules. In our case, imperfection of formal regulations in the society has resulted in their replacement by informal rules (Roth and Kostova 2003, p. 314).

For partners, the principle of mimetic isomorphism is realized differently. The research has shown that through the project of a model forest Stora Enso attempted to create an optimum algorithm for successful business operation in a particular country. This algorithm was intended to be applied in all subsidiaries working there. Thus, the principle of mimic isomorphism would be exploited. However, instability and turbulence of organizational fields in regions has become obstacles in carrying out this plan in its original form. Only such measures as workers safety and nature conservation planning were possible to standardize and reproduce.

For its part WWF also tried to create a model of sustainable forest management which could be further disseminated over the country. In this case, the aforementioned solution of Rosleskhoz on creation of model forests network has opened up prospects of realizing the principle of mimetic isomorphism, however, changes of jurisdiction in the governments prevented the implementation.

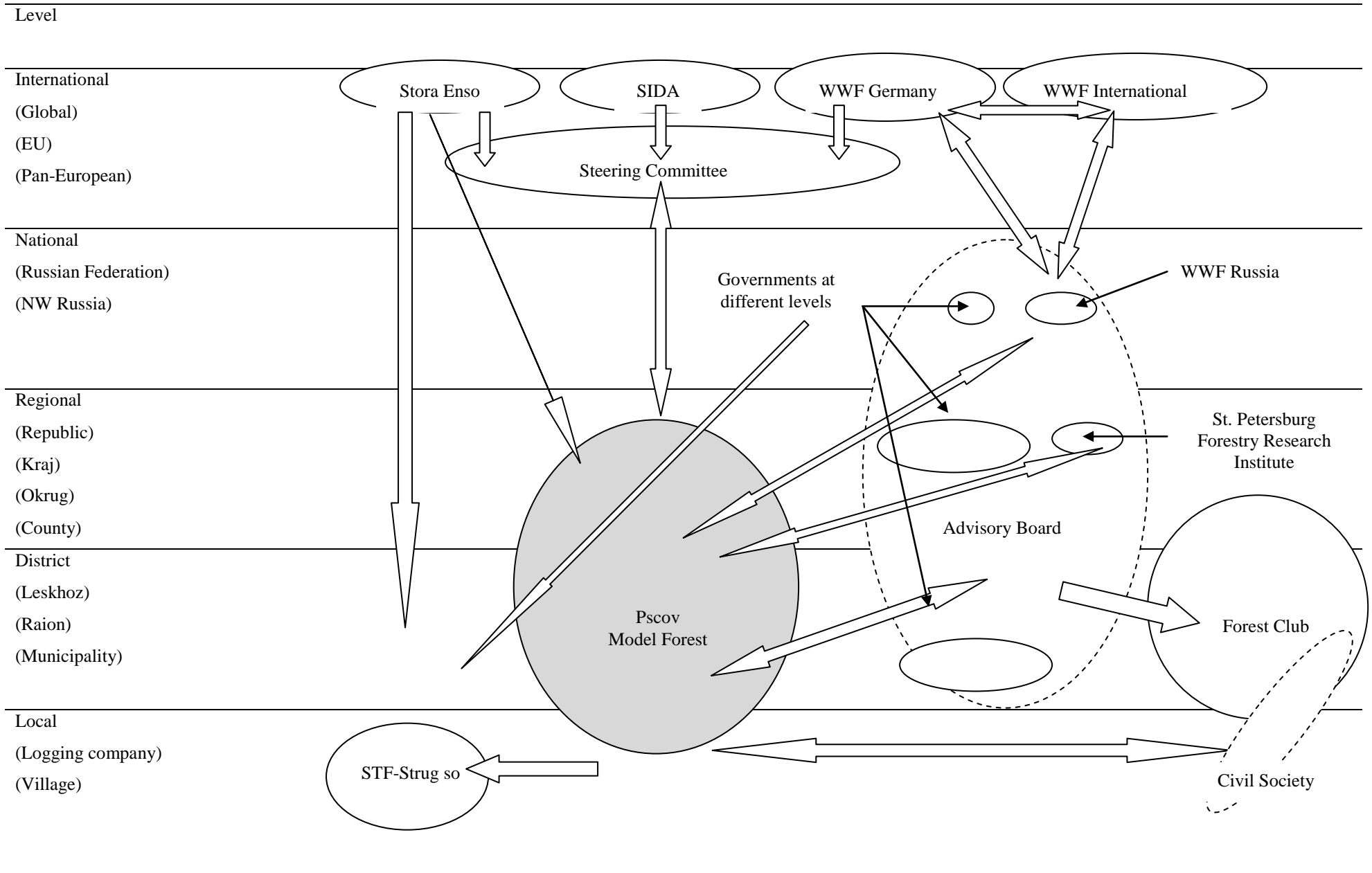
As was mentioned above, eventual reduction of transactional costs of the concern could be one of possible results in creating a model of sustainable forest management and its further transferring to other enterprises. However, as application of mimetic isomorphism was complicated by conditions of unstable institutional fields in the country, transaction costs remained big and the expected effect was not achieved. The situation was aggravated also by the fact that Russia, as a country with transition economy, often encounters majors which often can be neither predicted nor tested and which can sharply raise transaction costs. This concerns, for example, imposition of high customs tariffs on export of round timber which is one of main items of business activity of STF-Strug in the Pskov region. This tariffs made the company unprofitable and therefore, it was closed in October 2008 as well as other Stora Enso subsidiaries, STF-Gdov and Kingisepp.

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Diagram 1 Pscov Model project implementation





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