





# **EXPLAINING STRATEGIC CHANGE IN INTERNATIONAL ORGANISATIONS**

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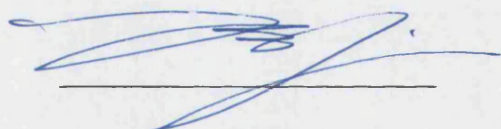
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## **Abstract**

This thesis explains the processes and varying outputs of international organisational change. Specifically, it examines how and why strategic change in international organisations varies across one global thematic area: forests. Three types of change – punctuated, incremental and regressive – resulted in a number of international organisations from May 1994—May 2005. Change processes in the forest arena are particularly complex and political, and provide for highly variable planning approaches. Yet, little is known about the way in which strategic change processes occurred in these organisations and why particular types of change ensued.

This research expands theories of organisational change and closes gaps in empirical research about strategic processes in international organisations. Specifically, it challenges Baumgartner and Jones' (2002) use of the punctuated equilibrium view of politics and expands Sastry's (1997) theory of punctuated organisational change. The empirical work centres around two research questions: How and why do strategic change processes occur in international organisations? What affects each output of the process? A qualitative, comparative case study methodology was used to capture the dynamic and complex strategic change processes in four organisations, the: UN Forum on Forests; International Tropical Timber Organization; World Bank; and Food and Agriculture Organization. The empirical data is explained using insights from system dynamics, especially causal loop diagrams, to show the dominant effects of negative and positive feedback on strategic change outputs.

The comparative research explains why different strategic change processes can, but rarely do, produce radical shifts in change outputs. The research concludes that radical strategic change occurred in organisations where clear qualitative and quantitative assessments of performance and process innovation were strongest. It reveals the need for 'loose' governance structures early in strategic processes, the importance of clear organisational performance criteria and the key role of powerful institutions in supporting change initiatives. It proposes a model of strategic change in international organisations and suggests future areas of research.

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## Acronyms

ADG	Assistant Director General
AHEG	Ad Hoc Expert Group
ASG	Assistant Secretary General
ATO	African Timber Organization
C&I	Criteria and Indicators
CAS	Complex Adaptive System
CBD	Convention on Biological Diversity
CIFOR	Centre for International Forestry Research
CLD	Causal Loop Diagram
CLI	Country-led Initiative
COFO	Committee on Forestry
COP	Conference of the Parties
CPF	Collaborative Partnership on Forests
CSAG	Civil Society Advisory Group
CSD	Commission for Sustainable Development
DDG	Deputy Director General
DESA	Department of Economic and Social Affairs
ECOSOC	Economic and Social Council
EFC	European Forestry Commission
ESSD	Environment and Socially Sustainable Development Network
FAO	Food and Agriculture Organization
FPIRS	Forest Policy Implementation Review and Strategy
FSAG	Forest Strategy Advisory Group
GEF	Global Environment Facility
GIN	Global Issues Network
IAF	International Arrangement on Forests
IFF	Intergovernmental Forum on Forests
IO	International Organisation
IPF	Intergovernmental Panel on Forests
ITFF	Interagency Task Force on Forests
ITTA	International Tropical Timber Agreement
ITTC	International Tropical Timber Council
ITTO	International Tropical Timber Organization
IUCN	International Union for the Conservation of Nature and Natural Resources
JIU	Joint Inspection Unit
LAP	Libreville Action Plan
LBI	Legally Binding Instrument
MDGs	Millennium Development Goals
MEA	Multilateral Environmental Agreement
MSD	Multi-Stakeholder Dialogue
MTP	Medium Term Plan
NFP	National Forest Programme
NHS	National Health Service
NWFP	Non-Wood Forest Product
OED	Operations Evaluation Department
OP	Operational Policy
PBE	Programme, Budget and Evaluation Office
PfA	Proposals for Action
PRSP	Poverty Reduction Strategy Paper

RBB	Results Based Budgeting
RFC	Regional Forestry Commission
SFM	Sustainable Forest Management
SIDS	Small Island Developing States
SOFO	State of the World's Forests
SWOT	Strengths, Weaknesses, Opportunities and Threats
TAG	Technical Advisory Group (World Bank)
TAG	Trade Advisory Group (ITTO)
TFAP	Tropical Forestry Action Plan
UN	United Nations
UNCED	UN Conference on Environment and Development
UNCTAD	UN Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	UN Framework Convention on Climate Change
UNFF	United Nations Forum on Forests
UNGASS	UN General Assembly Special Session
WFC	World Forestry Congress
WRI	World Resources Institute
YAP	Yokohama Action Plan

## Glossary of Terms<sup>1</sup>

Dynamic Process: A continuously changing set of stages or events within a system. Due to its non-linear nature, it more appropriately describes strategic change processes in complex organisations.

External Stakeholder: A stakeholder that is an informal participant of an organisation or organisational governance structure. These stakeholders do not participate during the normal activities of an organisation, but may be an active part of an irregular or periodic activity. External stakeholders include local community members, international organisations or other entities that are not formal members, staff or observers of internal organisational processes. External stakeholders may be impacted as a result of the implementation of an organisation's activities.

External organisational environment: An organisation's external environment consists of the countries, territories or other areas in which an organisation operates, and often determines the effectiveness of the organisation's strategic fit.

Feedback Process: The effect on an end state of a non-linear systemic process, which leads to a change in future process outputs. Such processes, as Garson (1976) notes, can also help determine the causal linkages of certain inputs of feedback processes.

Formal Governance Structures: Within a governance model of organisations, a formal governance structure serves as a centralised, participatory mechanism within the organisation's internal environment. It is a 'tight' structure, which can enable faster decision-making among a variety of organisational stakeholders; has formal rules of procedure; and includes governmental or formally accepted non-governmental stakeholders in decision-making processes.

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<sup>1</sup> Compiled from Baumgartner and Jones (2002); Burnes (2000); Dawson (1997); Dawson (2005); Forrester (1961); Garson (1976); Hult and Walcott (1990); King and Cleland (1978); Kingdon (1995); Mintzberg et al (2003); Perrow (1986); Pettigrew (1987); Pettigrew et al (1992); Sastry (1997); United Nations (1997d); A. Van de Ven, 'Four Requirements for Processual Analysis', in A. Pettigrew, *The Management of Strategic Change*, Oxford: Basil Blackwell, 1987, pp. 330—341, at 338 .

Forum Activities: The primary purpose of such activities is usually to discuss issue-specific problems or ongoing operational work of an organisation. The activities can lead to a formal output based on discussions held in the forum. Participation in forum activities often takes place within an organisational governance structure.

Governance Model of Organisations: The governance model, as Hult and Walcott (1990) explain, captures ‘the dynamics of an organisation’s search for the orienting values and goals and the broader policy strategies that set the parameters and provide the direction for its efforts at control. The organisation may have formal rules, prescribing that conflicts be settled in particular forums by certain people, or they may be informal understandings among the participants. The structures may be specialised instruments for handling political matters, or they may be used for other tasks, such as control and supervision’.

Governance Structure: A form of organising decision-making within the organisation’s internal or external environment. Actors within an organisational governance structure are responsible for deciding upon and forming outputs for the organisation’s work. Organisational governance structures at the central organisational level can take the form of Executive Boards and official committees. Alternatively, they may exist informally to contribute ideas to larger, more formal outputs in organisational environments.

Incremental Change: A small strategic adjustment to a previous organisational policy or strategy. Within an organisational change process, Burnes (2000) suggests it occurs when ‘an organisation deal incrementally and separately with one problem and one goal at a time’.

Inertia: Taking from physics, the slowing down of a system, which may be an obstacle to system interaction, development and change. Sastry (1997) suggests that organisational characteristics contributing to inertia include strong norms, culture and power. Richardson and Pugh (1981) explain that inertia in a system can help maintain existing system behaviour and reduce an organisation’s ability to experience transformational change.

Informal Governance Structure: Following the governance model of organisations, an informal governance structure is a participatory mechanism in the organisation's external environment. It is a 'loose' and usually decentralised structure that can take the form of a workshop or ad hoc meeting aimed to stimulate problem-solving and innovation.

Inputs: The technical or political information gathered from stakeholders and used within a policy or strategy's contents. Alternatively, in results-based budgeting, the UN (1997) considers 'inputs' as resources (such as posts, supplies and materials, travel) that are used to produce organisational goods and services.

Issue Area: A theme or problem that becomes political when constituencies are mobilised by its content and place it on a local, national or global political agenda.

Institution: A structure within an organisation that conducts routine and political decision-making in support of the organisation's operational, programme, policy and project work. An institution is designed to formalise participation of its members, usually in a hierarchical governance structure, to advance decision-making in a methodical way. The outputs of an institution tend to work in favour of an organisation's dominant coalition.

Internal organisational environment: Environment that includes the structures, processes and actors that contribute to the regular operations of the organisation. Thus, staff members in centralised or decentralised offices and stakeholders within a formal organisational governance structure are considered part of an internal organisational environment.

Internal Stakeholder: The organisation's employees, member states, observers or other entities that are, on a regular basis, a part of organisational activities and decision-making and have a vested interest in organisational outputs.

International Organisation: An organisation that addresses a range of stakeholder priorities and concerns, and provides a neutral space in which to solve global political and technical problems. International organisations tend to be bureaucratic and/or semi-decentralised in form, contain a formal governance structures, and address various national priorities and thematic areas. Such organisations are generally dependent on funding and directives from their members, usually Western governments.

Linear Process: Linearity suggests a process has a defined end-state, and does not affect future processes in a system. Linear chains of mean-ends relationships do not fully capture the behaviour of complex problem-solving in international organisations, and represent the opposite of a dynamic process.

Loose Coupling: Perrow (1986) defines 'loose' coupling as a state in an organisational system where it has time to react, a chance to make substitutions, and an opportunity to delay activities, which provides space for decentralised authority to exist.

Negative Feedback: Baumgartner and Jones (2002) suggest it occurs when an action is counterbalanced by a subsequent action, such as in physics where friction acts as a dissipative force of change. Negative feedback processes in policy generally occur when a dominant coalition takes action to maintain the status quo.

Organisation: A structure, form or method of organising persons, which is designed for a specific thematic purpose. Different forms of organisations function with different levels of efficiency and interactions among their participants; as a result, communication of information, decision-making and programme planning occur in a variety of ways.

Organisational Environment: The area of an organisation defined by its span of control and operational structure. Organisations, based on a population ecology model, have an internal and external environment. The internal organisational environment may affect the external organisational environment or vice versa during a strategic change process.

Organisational System: A multiple set of organisational environments, which interact because of overlapping issue areas, administrative and budgetary rules, common actors, and the need for collaboration when providing services.



Outcome: Drawing from UN (1997), the impact of an output or a group of outputs on the overall objectives agreed by legislative bodies, such as increased health education leading to improvement in the environment, and enhancement of global security through a peacemaking or peacekeeping operation.

Outputs: The UN (1997) defines 'outputs' as organisational goods and services (such as the number of staff recruited, reports issued, meetings serviced or computers purchased), which have been produced or purchased using a series of inputs. Outputs need to be capable of being defined in terms of quantity, quality, timeliness and cost. An example is the management of conference services. Specific outputs of this function would include the provision of editorial and translation services, the printing of documents and the arranging of facilities. Strategic outputs, on the other hand, result in formal policy and strategy documents, which represent the end state of an organisational strategic change process.

Performance: An organisational gauge that determines the effectiveness of the organisation's work. Performance is based on outcomes of organisational programmes, policies and projects. Organisations can set qualitative and quantitative performance criteria, to assess organisational work in its operating environment.

Policy: A tool that guides stakeholder behaviour toward the fulfilment of an organisational objective, and often has formal compliance mechanisms associated with its modalities for implementation. Most often, policies tend to limit the scope of alternatives that must be considered in making decisions on the implementation of a strategy.

Policy formation: The process of policy-making. Policy-making, as defined by Kingdon (1995) is a set of processes, including at least 1) setting of the agenda, 2) the specification of alternatives from which a choice is to be made, 3) an authoritative choice among those specified alternatives and 4) the implementation of the decision. Generally, policy formation occurs when norms need to be established or problems are to be solved.

Positive Feedback: As Baumgartner and Jones (2002) note, positive feedback occurs where a shift in policy or strategy results in a ‘self-reinforcing process that accentuates rather than counterbalances a trend’. Positive feedback can be associated with major punctuations in organisational processes or outputs.

Process: A sequence of steps, events or states which produce a set of inputs and are transformed into a new set of outputs.

Process analysis: Process analyses capture a range of factors in organisational settings to identify the causal mechanisms of strategic change. Dawson (1997) notes that process analyses are mostly a European approach to investigating strategic change, and are based on historical trends and organisational context.

Punctuated Change: Transformative events and processes that fundamentally change the way organisms function or, as Van de Ven (1987) notes, cause ‘occasional discontinuous reorientations in part or all of a social system’.

Regressive Change: A regressive change is a setback in the development of an organisation, usually due to the organisation’s sustained low performance over a period of time. Dawson (2005) defines regressive change in organisations as the antithesis of progressive change in an ongoing change process.

Results-based budgeting: Taken from UN (1997), ‘results-based budgeting’ is a methodology and format for developing budgets that focuses on outputs and outcomes, using predetermined criteria set by organisational member states.

Results-based performance reporting: The UN (1997) defines ‘results-based performance reporting’ as a format for reporting achievements to enable comparison between planned and actual outputs and outcomes, using performance indicators as a basis for measurement.

Stakeholder: Any person, entity or organisation that acts as a participant with a vested interest in the outcome or output of a strategic change. Stakeholder groups include governments (or member states of international organisations), non-governmental organisations, local communities or individuals affected by a contested issue area.

Strategic Change: From Pettigrew's (1987) definition, strategic change is 'descriptive of magnitude of alteration in, for example, the culture, structure, product market and geographical positioning of the firm, recognizing the second-order effects, or multiple consequences of, any such changes and the transparent linkages between firms and their sectoral, market and economic contexts'.

Strategic Change Output: A formal document or statement issued as a result of an organisational strategic change process, which may or may not result in the re-orientation of a previous strategic document. The output may result in a transformative, incremental or regressive change to an organisational policy or strategy at the organisational corporate or departmental levels. A strategic change output is unlike a 'strategic change outcome', which refers to the assessment of a strategic change output through the monitoring and evaluation of a policy or strategy over a period of time.

Strategic Plan: A formal strategy, which is usually in written form. A strategic plan can consist of goals and objectives for an organisation as well as modalities for achieving the said objectives. Strategic plans can be developed at the departmental, sub-unit or organisational level, or in response to a specific emerging issue.

Strategic Change Process: The strategic change process represents a series of steps and events used to form a new organisational strategy or policy. The process can: begin due to a realisation of a strategy's or policy's poor fit in its environment; continue as organisations seek new information for strategic inputs; and end with the approval of a new output.

Strategic Technique: A specific approach used to develop a strategy, which applies a formal mechanism to gather inputs for a strategy's or policy's contents. For instance, if an organisation wishes to include more stakeholders in a new version of a strategy, a formal 'stakeholder analysis' may be conducted to assess the key stakeholders affected by the strategy's outputs and that would need to be consulted during a strategic change process.

Strategy: Generally defined by Mintzberg (2003) as 'a pattern, a ploy, a position, a perspective or a plan', a 'strategy' is a goal-setting tool that can be more comprehensive in nature than policy and used to guide behaviour of participants in an organisational system.

Strategy formation: The process of drafting a strategy. The formation of strategy may consist of certain steps including: the assessment of a problem; collection and analysis of key strategy ideas; drafting of an initial document or set of objectives by a strategy team; feedback on iterations of strategic documents; review of strategy documentation by stakeholders; and presentation of draft strategy documents. The strategy formation process does not include the determination of strategic outcomes, but often leads to a formal strategy output.

System Dynamics: System dynamics helps to structure problems and evaluate the effects of feedback in organisations. Early system dynamics theory was created by Jay Forrester (1961) in his seminal work *Industrial Dynamics*. The basis for system dynamics, as Forrester notes, is industrial dynamics, 'the study of the information-feedback characteristics of industrial activity to show how organizational structure, amplification (in policies), and time delays (in decisions and actions) interact to influence the success of the enterprise; it treats the interactions between the flows of information, money, orders, materials, personnel, and capital equipment in a company, an industry, or a national economy'.

Tight Coupling: The opposite of 'loose' coupling. Tight coupling, as defined by Perrow (1986), 'promotes rapid decision-making, centralised decisions with unreflective responses, strict schedules, and...immediate responses to deviation'. The degree of coupling is an important organisational characteristic that determines how an organisation responds to threats and other risks in its internal and external environments.

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## *INTRODUCTION*

This study breaks new ground in testing theory and providing empirical research on strategic change in international organisations. Strategic change can be broadly understood as revision of a strategy or policy within an organisation. It can be triggered by individuals within powerful organisational governance structures, external organisational stakeholders and managers aware of poor organisational performance. Strategic change initiatives may set new objectives for organisations, leading them in radically new directions, or may fail, leaving the organisation and its members without clear guidelines for conducting future work.

Over the last fifty years, strategic change initiatives in international organisations have been significantly dominated by their member states. At a time when public perceptions seem to be that some international organisations, namely those of the United Nations (UN) system, only work as fast as their slowest member state, this study helps explain what drives this perception and how these trends in international organisations can be broken. This thesis examines recent successful and unsuccessful attempts to operationalise change in international organisations across a single, global thematic area: forests.

The perception that international organisations are slow or fail to change may arise because of the limited outcomes of contemporary policy or reform initiatives within the UN system. Actor-centred and political economy analyses of these initiatives suggest that powerful member governments in international organisations control decision-making outcomes, which may be why organisation or non-governmental stakeholder-led attempts to lead change initiatives fail. This thesis suggests that powerful member states may be a key reason why many change attempts succeed or fail, but bases the reasons for such successes and failures on organisational, rather than exclusively political, contexts. Although this study recognises the increasing politicisation of international organisations, it does not discuss the specific, individual conflicts of internal or external organisational actors working on forests.

This approach is different from actor-centred and political economy analyses of decision-making outcomes, since it considers the complex internal and external organisational environments in which these actors operate, viewing them as part of a

larger organisational system. Academics and practitioners working on international organisations must begin to more deeply understand to what extent and why international organisations have helped or hindered strategic change in a variety of global thematic areas, and how international organisations can more effectively operationalise change in the future. This study selects one environmental issue area to demonstrate how this might be done.

Although the environmental movement seems to be losing its pace since the 1992 Rio Conference, those still engaged in environmental initiatives can find new mechanisms to solve environmental problems using international organisations. This study on strategic change provides an example of the existing strengths and weaknesses of international organisations working on forests and illustrates how governmental and non-governmental stakeholders can maximize international organisations' problem-solving capabilities. While this study analyses only one global thematic area - forests - it could be easily replicated to analyse change initiatives associated with other global themes.

### ***Managing the Pace of Change in International Organisations***

This study draws the distinction between two organisational planning tools – policy and strategy. Strategy can be a vision or set of organisational goals to encourage a certain behaviour of actors in a given system. However, the historical development and purpose of strategy was not similar to that of its use in public organisations today. Historically, strategy was used as a tool to achieve victory in military battles, and more recently, as a planning tool for private firms to obtain a competitive advantage in the market.<sup>2</sup> Unlike strategy in the private sector, which may use strategy to gain a competitive advantage, strategy in the public sector may have less distinct financial and economic goals, due to the nature of organisational financial arrangements and the range of political interests.

However, the terms policy and strategy are often confused or intertwined. Policy is often guided by and sometimes considered a strategy. A strategy is a guiding or goal-setting tool that can be more comprehensive in nature than a policy. Less binding policy documents, which some categorise as formal strategic plans or other organisational

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<sup>2</sup> However, the recent management literature suggests there exists little connection between private sector and military strategy. See, for instance, B. Burnes, *Managing Change: A Strategic Approach to Organisational Dynamics*, Third Edition, London, Prentice Hall, 2000.



strategy documents, can be used to guide behaviour of participants in an organisational system.

While strategy is only emerging as a managerial tool in international organisations, the study will show how strategy differs from policy as an approach to address complex political and development problems within international organisations. This study will not advocate for using only these two tools to solve political problems in international organisations, and instead proposes a range of management tools and the involvement of organisational actors to solve complex global problems. The results of this study should offer constructive suggestions as to how organisations, and stakeholders outside powerful political institutions, can engage in problem solving activities, move forward development programme design and management, and create an organisational environment in which to foster strategic change.

As a result of these aims, the concept of strategic change is at the heart of this study. Strategic changes in organisations are considered new or revised strategies or policies, which set a different direction for an international organisation's work. While there are many assessments of policy outcomes in international organisations, there are few studies that examine the processes leading to these outcomes from a holistic perspective and none that examine strategy processes as distinct from policy processes in international organisations. This study aims to close both of these empirical gaps by explaining why and how both policy and strategy changes (considered in this thesis as 'strategic changes') occur in international organisations.

To do this, it is necessary to analyse the rich processes used to create such strategic change outputs<sup>3</sup>, as little has been analysed before in the academic literature. Exactly how and why does strategic change occur in international organisations? How does the process of strategy or policy formation contribute to such strategic change? To understand how strategic change occurs, it is necessary to examine a variety of aspects within each policy and strategy processes. Instead of isolating one variable, e.g. culture, the strategic process is analysed as a whole and from initiation to its completion.

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<sup>3</sup> It should be noted that a number of political scientists discuss strategy and decision making outcomes. See, for instance, M. Barzelay and C. Campbell, *Planning for the Future: Strategic Planning in the U.S. Air Force*, Washington, D.C., Brookings Institution, 2003 and B. Reinalda and B. Verbeek (eds) *Decision Making Within International Organizations*, London: Routledge, 2004. Due to the synonymous use of the term 'outcomes' with 'assessments of effectiveness', the term 'outputs' is used instead. Since the strategic change outputs analysed in this thesis are relatively new, the outcomes could not yet be assessed.

The work of Andrew Pettigrew has served as a useful example in this regard. Pettigrew (1992) explained strategic change in the National Health Service between 1986 and 1990.<sup>4</sup> His examination of policy formation and informal strategy making explained how strategic change occurs or fails to occur in a public organisational system. To explain why, he moves beyond the episodic view of change (i.e. change that is analysed over a short period of time or based on events alone) to explain why particular changes are likely to occur in some situations versus others and what conditions facilitate radical versus incremental change. He indicates that a variety of factors, such as the availability of key people leading the change process, create enabling conditions for change.<sup>5</sup>

Yet, there are a variety of ways in which international organisations can change. The issue of how organisations experience slow periods of change alongside rapid bursts or radical change was earlier captured in Tushman and Anderson's discussion of punctuated equilibrium.<sup>6</sup> Punctuated equilibrium describes how the accumulation of processes can drive 'occasional discontinuous reorientations in part or all of a social system, while evolution characterizes the period of continuous convergence and metamorphosis'.<sup>7</sup> Pettigrew's 1992 empirical study explores types of punctuated and incremental change without explicitly using them as a theoretical foundation. However, similar studies in international organisations have not been performed, nor have any studies of international organisations applied the term 'punctuated change' to analyse specific international organisational outputs.

Most recently, F. Baumgartner and B. Jones (2002) presented a number of empirical analyses of punctuated equilibrium, based on cases of American policy making.<sup>8</sup> This work in many ways applies to a study on strategic change in international organisations. It presents useful explanations of change, including the role of positive and negative feedback in achieving discontinuous reorientations versus evolutionary change in policy outputs. Baumgartner and Jones initially account for periods of policy equilibrium by suggesting that balancing factors, such as the power of dominant constituencies, inhibit

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<sup>4</sup> A. Pettigrew, E. Ferlie and L. McKee, *Shaping Strategic Change: Making Change in Large Organizations*, London, Sage Publications, 1992.

<sup>5</sup> Pettigrew et al (1992), op cit., above at n. 4, at 278.

<sup>6</sup> M. Tushman and P. Anderson, 'Technological Discontinuities and Organization Environments', in A. Pettigrew (ed), *The Management of Strategic Change*, Oxford: Basil Blackwell, 1987, pp. 89—123.

<sup>7</sup> A. H. Van de Ven, 'Four Requirements for Processual Analysis', in A. Pettigrew (ed), *The Management of Strategic Change*, Oxford, Basil Blackwell, 1987, pp. 330—341, at 338.

<sup>8</sup> F. Baumgartner and B. Jones (eds), *Policy Dynamics*, London, University of Chicago Press, 2002.

radical change and push policy systems into a steady state.<sup>9</sup> However, their conclusions suggest that an equilibrium or ideal state does not exist in political institutions, based on the case studies presented in their work. Furthering Baumgartner and Jones' study, I support the view that such an equilibrium state also does not exist in international organisations, given the highly divergent actors, structures and norms that exist within and outside them.

Periods of stability in organisations occur just after new organisations are formed or when a new strategy or policy is beginning its implementation stage. However, such organisational stability does not exist during strategic change processes.<sup>10</sup> This study examines why in organisations equilibrium cannot be achieved during strategic change efforts.

Mostly, this is because of the dynamic nature of strategic change. The evaluation of strategic change outputs – or policy and strategy outcomes – feed back into a new policy or strategy process within the international organisation. M. A. Sastry (1997) explains how this occurs in her theory of punctuated organisational change, which builds on previous studies of discontinuous change in organisations.<sup>11</sup> In this thesis, elements of Sastry's model and theory will be applied to the empirical work on international organisations, the reasons for which are explained in Chapter 1.

Previous studies of policies and strategies in organisations have examined how transformational effects occur alongside incremental changes.<sup>12</sup> This thesis also looks at the various types of change within a global thematic area using a small number of cases. Previous studies identified a number of factors leading to change in policy and strategy making; however, it was not known at the outset of this research whether similar factors contributed to change in international organisations due to insufficient and decisive information in the academic and practical literature.

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<sup>9</sup> In this thesis, power and control of organisations and their agendas are maintained by central organisational governance structures.

<sup>10</sup> Sociologist Charles Tilly explains the concept of internal and external organisational stability, arguing that organisations at war are not in states of stability. See C. Tilly, *Big Structures, Large Processes, Huge Comparisons*, New York, Russell Sage Foundation, 1984.

<sup>11</sup> M. A. Sastry, 'Problems and Paradoxes in a Model of Punctuated Organizational Change', *Administrative Science Quarterly*, 1997, Vol. 42, pp. 237–275.

<sup>12</sup> See, for instance, A. Pettigrew (ed), *The Management of Strategic Change*, Oxford: Basil Blackwell, 1987 and Baumgartner and Jones (2002), op cit. above at n. 8.

Consequently, this study first explores and explains why and how different types of strategic changes occurred in international organisations over a ten-year period. In each organisation examined, both strategy and policy activities were undertaken, although one of type of activity emerged as the primary method of actualizing change in the organisation. The reasons for this, and the various methods for forming these changes, were analysed. Only then were certain factors identified as the antecedents of strategic change in each international organisation. The identification of these factors will help inform future studies on change in international organisations.

In addition, the general trend of planning in international organisations is questioned. Why were managerial tools such as policy and strategy tools relied upon in international public organisations in the mid-1990s? Was it merely to cope with the uncertain nature of a particular problem? Or were international organisations, or more importantly their members, attempting to routinise decision-making, in effect making policy and programmes less strategic? The final part of this study explains why such managerial planning tools were used.

As this is a contemporary study of strategic change, an increasing and unexpected variability in information and outcomes occurred during the course of the research. While the study initially accounted for incremental and transformational change, deviation from these types of change, in the form of policy failure, also had to be considered. As a result, a new category, regressive change, was added to account for policy and strategy failures. Even though such failures were unexpected at the outset of this study, their inclusion in the types of change help provide a more comprehensive account of strategic change in international organisations.

### ***Methodology***

This study continues to apply the view that episodic change in organisations does not fully capture the dynamic process of strategic change in organisations. This study illustrates this directly in Chapter 3, by using events-based analysis methods<sup>13</sup> to explain outcomes in the global forest policy arena. By applying this method, it shows the weaknesses of such an approach and explains why a more comprehensive explanation of change in international organisations is required.

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<sup>13</sup> See studies in Baumgartner and Jones (2002), op cit., above at n. 8.

Organisational and system dynamics theories offer insights on how the overall strategic change process occurs in complex international organisations. Both offer a more comprehensive analysis of change, using a range of organisational characteristics and capabilities. As a result, this thesis takes a more holistic approach to analysing strategic change, using Pettigrew's (1992) process-oriented approach, which is processual, longitudinal, and comparative in nature.<sup>14</sup> It uses Sastry's (1997) model of punctuated organisational change to explain why radical, incremental or regressive strategic changes occurred in organisations. Due to the dynamic nature of change in organisations, the research approach was qualitative, to capture the rich and complex processes in the organisations studied. The formal methodology for this study is explained in Chapter 2.

The study contains a significant amount of empiricism to compare outcomes across one global theme. A comparative case study methodology was employed and four case studies were selected for the empirical work. As the intent of this study was not meant to create a 'grand theory' of strategic change in international organisations, a small number of case studies were used to explain the preconditions to change in international organisations and the process leading to each output. The case studies were selected for being typical and extremely useful in this respect. This was done by analysing and comparing the primary and secondary documentation related to organisational policy and strategy, conducting semi-structured interviews and observing political negotiations and events.

### *The Plan of the Thesis*

This work first provides the foundations of strategic change in organisations and continues with illustrations of such strategic change processes in four international organisations.<sup>15</sup> The first chapter explains the theories of strategic change in organisations. It suggests that strategic change needs to be explained by analysing organisational processes and the networks in which they exist. The second chapter of this thesis provides an overview of the methodology for this study, which combines political science, management and system dynamics approaches. The third chapter

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<sup>14</sup> Pettigrew et al (1992), op cit., above at n. 4, at 4.

<sup>15</sup> It should be noted that while the case studies in this thesis are illustrations of how change is used to improve the strategic directions of the organisations studied, being strategic could also be considered as change not undertaken by organisations (e.g. maintaining the status quo), since existing policies or strategies may work well for the organisation.

continues the introductory materials, explaining key changes in the issue area of forests and the organisations undertaking forest work from the 1992 Rio Conference until 2005.

Part Two of this study presents strategic change case studies within the World Bank and Food and Agriculture Organization. These chapters focus on the dominance of strategy processes, rather than policy-making processes, as a tool used to facilitate strategic change at the organisational sub-unit level. Part Three of this study explains incremental strategic change in the International Tropical Timber Organization and the UN Forum on Forests' Secretariat. In contrast to the previous part, the two case studies reveal how the policy process encouraged strategic change in the organisations, rather than applying strategy as the mechanism for change. The final part of this thesis explains the comparative strategic approaches, the influences of strategic change in each organisation and the implications of the study's findings.

PART I:

**STRATEGIC CHANGE:  
THE THEORETICAL AND METHODOLOGICAL COMPONENTS**

Strategic change in international organisations is an overlooked area of study. This thesis examines the inherent use of strategy and policy formation as a managerial practice across the global theme of forests. It explores why and how punctuated strategic change rarely occurs in international organisations working on global forest projects and programmes. Based on discussions of punctuated change in American politics and strategic reorientation processes in organisations, this study combines tested political science methods with management techniques to explain outputs of strategic change processes in international organisations. Specifically, it tests Baumgartner and Jones' (2002) application of the punctuated equilibrium view of politics and expands Sastry's (1997) theory of punctuated organisational change. The result of the study will explain why elements of the strategic process contribute to negative or positive feedback mechanisms, which become the determinants of successful strategic change processes. Chapter 1 of this thesis explains strategic change, the role of positive and negative feedback in change and how feedback contributes to different types of change in organisational systems. Chapter 2 explores the methodology applied for the research, which uses a qualitative comparative case study approach to explain strategic change in a variety of international organisational settings. Chapter 3 discusses the global theme on which this study is focused, forests and forestry, and the performance and governance structures of the international organisations working in this area.

## CHAPTER ONE: WHAT IS STRATEGIC CHANGE?

Over the past ten years, a variety of global strategic change initiatives have been conducted, but they are rarely analysed in the literature. Usually, these change initiatives are captured in organisational policy or strategy. One recent initiative in the global arena has been the Millennium Development Goals (MDGs), eight time-bound goals designed to address a range of development problems by the year 2015. Other strategic goals have been included in binding policy documents over the last ten years, such as the Kyoto Protocol on climate change. Such goal-setting initiatives have been the result of small, incremental change or at other times, radical strategic change within international organisations (IOs). Even though positive strategic change within organisations can occur, these initiatives can also fail. This study analyses only one thematic area in which such changes occurred, that of forests.

But why has strategy, a managerial technique in organisations, recently become infused into global politics, and is it a useful approach? Is strategy an attempt to manage global political agendas? Or, is there more value in using strategic techniques to motivate, incentivise and implement global political action and technical programmes?

These questions are at the heart of this study. The study shows why and how, across one global issue area, strategy has been used as an operational management tool *and* political technique to design more concrete actions across a global thematic area. It considers the use of strategy as both a managerial and political tool in IOs. It also shows how organisational structures, environments and actors affect the strategic process. Additionally, the choices made in the strategic processes reveal keen insights on underlying problems related to the strategic fit of IOs in their internal and external environments. The conclusions of this comparative study explain how and why incremental change in IOs occurs alongside transformational change, based on studies of organisational strategy and policy documents. The result has important implications for the way we think about, analyse and apply strategic change in IOs.

To date, strategy in IOs has not been critically examined. Most analyses of policy outcomes in IOs have been based on decision-making, and not policy formation processes. Moreover, strategy is a dynamic and complex process, and should be



understood in its historical and organisational context. Existing discussions of policy and strategy in IOs do not adequately capture the larger system in which decisions are taken and processes formed.

Many mainstream studies of policy outcomes have applied institutional theories to explain powerful actors' influence on decision-making outcomes. But institutional analyses alone fail to capture the complex processes of strategic change within IOs. Certainly, political desires and strong institutionalised structures are essential elements of strategic change. However, they must be considered as part of a larger, dynamic process within an organisational system. There are different understandings of strategy and policy in IOs, even though in practice the two can serve similar purposes.

Nevertheless, understanding the uniqueness and different kinds of strategy is critical, as it has implications for policy and organisational effectiveness as well as organisations' problem-solving capabilities. Only organisational policy outcomes have been studied to date, and an overall analysis of the strategic change process within IOs, one involving the interplay between policy and strategy outputs, has not before been studied. Since little attention has previously been given to the importance of strategy in IOs, it is essential to first explore the range of strategy techniques and approaches used in various organisations.

This chapter first examines the concept of change as applied to policy, strategy and organisations. Drawing on the work of scholars in the field of biology, international relations and management, the chapter explains three possible types of strategic change in IOs: transformational, incremental and regressive. It then draws attention to an important component of the change process, negative and positive feedback, which are driving forces of change in the dynamic organisational processes studied in this thesis. The chapter goes on to explain why a number of development scholars have applied complexity theory to interpret problem-solving in organisational systems, but argues that management theory better applies to interpreting strategic change, since the strategic change process occurs within a definable organisational system. Based on the need to examine organisations as part of a larger, dynamic system, this chapter builds the case for conducting analyses of strategy and policy in IOs using process analysis.

## 1.1 FOUNDATIONS OF CHANGE PROCESSES

This study tests existing theories of change in international organisations. At present, there are very few definitions of ‘strategic change’. Generally, ‘strategic change’ is ‘descriptive of magnitude of alteration in, for example, the culture, structure, product market and geographical positioning of the firm, recognising the second-order effects, or multiple consequences of, any such changes and the transparent linkages between firms and their sectoral, market and economic contexts’.<sup>1</sup> Applying this definition to IOs, such alterations could be due to influences in an IO’s internal and external environments.

The approach taken to examine such alterations is a processual analysis of organisations where ‘the organisation is seen as embedded in its social, cultural, political and historical context’.<sup>2</sup> Similar to Pettigrew’s 1992 study on the British National Health Service (NHS), this thesis explains why strong organisational capacity as well as effective policy and strategy design is needed to enact strategic change. The analysis of change is taken using a top-down managerial approach, even though the reasons for change may occur outside of the central organisational system.

As such, this thesis takes a broader view in analysing IOs, and examines closely the factors in IOs’ internal and external environments that lead to strategic change. In addition to the source of such changes, the type of change that results can also be quite different among IOs. The types of strategic change explained in this work are: punctuated (or transformational); incremental; and regressive. The first two types connote positive changes to policy and strategies. The third type, however, is considered a setback to proactive change in organisations. Each of the three types is discussed briefly as is the causal mechanism for the different changes, which is captured in the concept of feedback.

### ***Punctuated Change***

Theories of punctuated change were first discussed by evolutionary biologists in the 1970s. Evolutionary biology turned a corner when Eldredge and Gould (1972)

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<sup>1</sup> A. Pettigrew, ‘Introduction: Researching Strategic Change’, in A. Pettigrew (ed), *The Management of Strategic Change*, Oxford, Basil Blackwell, 1987, pp. 1—13, at 2—3.

<sup>2</sup> A. Pettigrew, E. Ferlie and L. McKee, *Shaping Strategic Change: Making Change in Large Organizations*, London, Sage Publications, 1992, at 6. The processual approach suggests that strategy is formed as an emergent process, where power and politics is a core concern, and there is no simple approach to change ‘given time constraints and situational variables’. B. Burnes, *Managing Change: A Strategic Approach to Organisational Dynamics*, Third Edition, London, Prentice Hall, 2000, at 284.

suggested that biological evolution was not continuous, but in fact happened in short bursts or ‘punctuated’ changes. Gould measured and tested such changes in fossil evidence, to determine where large shifts in evolution occurred. He noted that the ‘relative frequency of punctuated equilibrium differs across taxa and environments, a basic\*result with broad and unexplored consequences for evolutionary theory’.<sup>3</sup>

Punctuations suggest that transformative events and processes fundamentally change the way organisms function in biological systems. Punctuated change also describes how the accumulation of processes can drive ‘occasional discontinuous reorientations in part or all of a social system, while evolution characterizes the period of continuous convergence and metamorphosis.’<sup>4</sup> Political scientists and management scholars have applied the concept of punctuated change to explain outcomes in policy and strategy in recent years.

Transformation of strategy and policy can be analysed using qualitative and quantitative data, depending on the organisational indicator identified by the researcher. Political science suggests that transformational shifts occur when policy windows or entrepreneurs appear in a system.<sup>5</sup> Pettigrew (1992) suggests that crises help mobilize change, which can be both opportunities and threats to an organisation. However, such threats and opportunities can only create major change where ‘the processes of bargaining and negotiation can accrue support and legitimacy for the new order of things’.<sup>6</sup>

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<sup>3</sup> S. J. Gould, ‘Punctuated Equilibrium: Empirical Response’, *Science*, 1986, New Series, Vol. 232, No. 4749 (Apr. 25, 1986), at 439.

<sup>4</sup> A. H. Van de Ven, ‘Four Requirements for Processual Analysis’, in A. Pettigrew (ed), *The Management of Strategic Change*, Oxford, Basil Blackwell, 1987, pp. 330—341, at 338, at 338.

<sup>5</sup> J. Kingdon (1995) explains the concept of policy windows and entrepreneurs. Baumgartner and Jones (1993), Barzelay and Campbell (2003) and Maxwell and Stone (2005) use the notion of policy windows and strategy entrepreneurs to explain how key opportunities are utilised to create new and innovative public policies. Policy windows provide an opportunity for change to emerge during policy-making. Policy entrepreneurs are the actors in a political system that create a change by pushing forward new ideas and processes and setting the pace for innovative approaches to policy-making. See J. Kingdon, *Agendas, Alternatives, and Public Policies*, Second Edition, Boston, MA, Little Brown, 1995; F. Baumgartner and B. Jones, *Agendas and Instability in American Politics*, London, University of Chicago Press, 1993; M. Barzelay and C. Campbell, *Planning for the Future: Strategic Planning in the U.S. Air Force*, Washington, D.C., Brookings Institution, 2003; and S. Maxwell and D. Stone, ‘Global Knowledge Networks and International Development: Bridges Across Boundaries’, in D. Stone and S. Maxwell (eds), *Global Knowledge Networks and International Development*, New York, Routledge, 2005, pp. 1—17.

<sup>6</sup> Pettigrew et al (1992), op cit., above at n. 2, at 271. Pettigrew also suggests that ‘campaigning, lobbying, coalition building and the sharing of information reward and recognitions are all fateful for innovation together with the stability of key actors championing the evolving idea through the various unpredictable stages and loops of project completion’. Ibid.

## *Incremental Change*

Transformational change stands in contrast to incremental change in organisations, where inertial forces dissipate change and outweigh the ability to achieve transformational change.<sup>7</sup> A number of researchers have explained incremental changes in public organisations. Pettigrew (1992) suggests that incremental change occurs in ‘limited and negotiated shifts’ in organisations, demonstrating this in the NHS.<sup>8</sup> Similarly, Haas and Haas’s (1995) hypothesise that the nature of the problems international organisations are designed to solve is ever changing and how they adapt and learn is based on how they use knowledge in the decision-making process.<sup>9</sup> Haas and Haas suggest that adaptation results in incremental instead of transformational changes to the IO.

Incremental change in organisations suggests that such change occurs in an ad hoc, rather than a holistic way. Some researchers see incremental change as ‘a process whereby individual parts of an organisation deal incrementally and separately with one problem and one goal at a time’.<sup>10</sup> Hage (1990) suggests that such changes are natural developments, and do not represent major alterations to products or services.<sup>11</sup> There is a wealth of research on incremental change. However, emerging themes in management research suggest that organisations move between periods of stability and instability.<sup>12</sup> While incremental and transformational change are frequently discussed in the management literature, regressive or destabilizing change is rarely discussed in the literature. Nevertheless, this outcome is entirely possible in IO change efforts.

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<sup>7</sup> For example, Haas and Haas (1995) have shown that the World Bank is one of two UN specialised agencies that learns by actively responding to problems. Learning organisations usually have approaches to gathering, storing and analysing information (which in the management literature is known as ‘knowledge management’), helping them to learn from, or improve upon, previous experiences with policy and strategy. Such a learning organisation does so because of its ability to be flexible and expand its organisational vision, and also by the way in which it uses knowledge to inform its decision-making process. See P. M. Haas and E. B. Haas, ‘Learning to Learn’, *Global Governance*, 1995, Vol. 1, pp. 255—285. However, as this study will explain, learning is only one way to interpret how organisations change.

<sup>8</sup> Pettigrew et al (1992), op cit., above at n. 2, at 14.

<sup>9</sup> E. B. Haas, *When Knowledge is Power: Three Models of Change in International Organizations*, Los Angeles, University of California Press, 1990. See also Haas and Haas (1995), op cit., above at n. 7.

<sup>10</sup> B. Burnes, *Managing Change: A Strategic Approach to Organisational Dynamics*, Third Edition, London: Prentice Hall, 2000, at 254. Case studies of incremental change in organisations include G. Hamel and C.K. Prahalad, ‘Strategic Intent’, *Harvard Business Review*, 1989, May-June, pp. 63—76.

<sup>11</sup> J. Hage, *Theories of Organizations: Form, Process, and Transformation*, New York, John Wiley and Sons, 1980, at 162.

<sup>12</sup> B. Burnes (2000), op cit., above at n. 10, at 254.

### *Regressive Change*

Attempts at strategic change can also result in regression, or failure. Doz and Prahalad (1987) suggest that such failures can occur because of, *inter alia*: the lack or departure of a key executive to initiate or facilitate the change process; confused strategic logic in the redirection process; infrastructure lag between cognition and the infrastructure needed to support the new vision; and the inability to shift power between a key executive leader and senior managers.<sup>13</sup> In addition to supporting some of these findings, Goodman and Dean (1982) also attribute failures to the heavy reliance on external consultants.<sup>14</sup> Other explanations of regressive change are not offered in much of the management literature.<sup>15</sup> However, regressive change in IOs has occurred, but it is not yet known what factors destabilise change efforts in IOs. Thus, an in-depth investigation is necessary.

The three types of change discussed above will be the subject of this study's empirical work. At present, one of the outputs alone would not fully account for the behaviour of strategic change in IOs. Further consideration of the three may help to more comprehensively understand and explain change in IOs. To begin this investigation, one further component of an organisational system needs to be explained: feedback mechanisms. Such mechanisms have important effects on the process of change. Previous approaches to explaining change in the political science and management literature have drawn on the concepts of positive and negative feedback. The implications of such approaches are explained below.

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<sup>13</sup> Y. Doz and C. K. Prahalad, 'A Process Model of Strategic Redirection in Large Complex Firms: The Case of Multinational Corporations', in A. Pettigrew (ed), *The Management of Strategic Change*, Basil Blackwell, 1987, pp. 63—83, at 79.

<sup>14</sup> P.S. Goodman and J.W. Dean, 'Creating Long-Term Organizational Change', in P.S. Goodman (ed), *Change in Organizations*, San Francisco, Jossey Bass, 1982.

<sup>15</sup> Regressive change is most commonly thought of as a macroeconomic indicator. For instance, the poor becoming poorer as a result of unequal income distribution could be categorized as a regressive change. Regressive change is also thought of in terms of psychological or capabilities-based change. For instance, the experiential education literature uses regressive change to discuss learning capabilities. Amado and Amato (2001) note that 'regressive processes leave the system in a higher state of dependency, with diminished feelings of responsibility; with lower levels of confidence in experimenting, exploring, and taking risks; and sometimes with a climate of fear, anxiety, and uncertainty for individuals, which stifles initiatives and reduces commitment'. See G. Amado and R. Amato 'Some Distinctive Characteristics of Transitional Change', in G. Amado and A. Ambrose (eds), *The Transitional Approach to Change*, London, Karnac Books, 2001, as stated in L. de Carlo, 'Accepting Conflict and Experiencing Creativity: Teaching "Concertation" Using La Francilienne CD-ROM', *Negotiation Journal*, 2005, London, Blackwell, Vol. 21, No. 1, pp. 85—103. Regarding organisations, Dawson suggests regressive change in organisations is the antithesis of progressive change in an ongoing change process. See P. Dawson, 'Studying the Process of Change in Organisations: Theoretical Perspective, Research Design and Published Output', paper presented at the First Organization Studies Summer Workshop on 'Theorizing Process in Organizational Research', 12—13 June 2005, Santorini, Greece. Besides this paper, there is no further discussion of regressive change in the organisational science literature.

### *Feedback Mechanisms and Change*

Negative feedback mechanisms exist where ‘an action is counterbalanced by a subsequent action’, such as in physics where friction acts as a dissipative force of change.<sup>16</sup> Negative feedback processes in policy generally occur when a dominant coalition, sometimes in the form of a policy monopoly<sup>17</sup>, maintains the status quo. In negative feedback processes, significant changes are not made to policy because the dominant coalition pushes for ideas already embedded in the norms and culture of the system. This can be how incremental change or routine creation occurs.

This process stands in contrast to the concept of positive feedback, where a shift results in a ‘self-reinforcing process that accentuates rather than counterbalances a trend’.<sup>18</sup>

When positive feedback occurs, there is a clustering of events, and a change in thought patterns and attention of actors in the process.<sup>19</sup> Positive feedback can be associated with major punctuations in processes or organisational outputs. In such cases, transformational or regressive change may occur. The outcome of such a change will be dependent on the type of external shock and its effect on the organisational system.

Political science researchers have explained how negative and positive feedback influence policy outcomes. Garson (1976) notes that feedback processes explain how inputs are transformed into outputs in a conversion or transformation process.<sup>20</sup> Roberts et al (1983) categorizes feedback as ‘a process in which an action taken by a person or thing will eventually affect that person or thing’.<sup>21</sup> But feedback mechanisms are more nuanced and complex than these definitions suggest.

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<sup>16</sup> F. Baumgartner and B. Jones (eds), *Policy Dynamics*, London, University of Chicago Press, 2002, at 294.

<sup>17</sup> Policy monopolies are monopolies on ‘political understandings concerning the policy of interest, and an institutional arrangement that reinforces that understanding’. They have two distinct characteristics: 1) ‘a definable institutional structure is responsible for policy-making, and that structure limits access to the policy process’ and 2) ‘a powerful supporting idea is associated with the institution’. Baumgartner and Jones suggest that once these monopolies are established and decisions routinised, ‘the issue will fade from the public agenda’. F. Baumgartner and B. Jones, *Agendas and Instability in American Politics*, London, University of Chicago Press, 1993, at 6—7 and 86, respectively.

<sup>18</sup> Baumgartner and Jones (2002), op cit., above at n. 16, at 13.

<sup>19</sup> Ibid, at 13 and 296.

<sup>20</sup> G. D. Garson, *Political Science Methods*, Boston, Holbrook Press, 1976.

<sup>21</sup> N. Roberts, D. Andersen, R. Deal, M. Garet and W. Shaffer, *Introduction to Computer Simulation: A System Dynamics Modelling Approach*, London, Addison-Wesley Publishing, 1983, at 450.

Feedback processes can help explain strategic behaviour in organisations. Feedback processes capture a range of variables, processes and structures within organisations to help explain how changes occur to process outputs. Such processes can also help determine the causal linkages of certain inputs within feedback processes, which can have a distinct effect on the output of such processes.<sup>22</sup>

Feedback processes are dynamic and the opposite of linear processes. Linear chains of mean-ends relationships do not fully capture the behaviour of complex problem solving in international organisations. Linearity suggests a process has a defined end-state, and does not affect future processes in a system. A non-linear system more appropriately captures the dynamic processes in complex organisations. As seen in Figure 1 (below), when a linear process leads to a given outcome, that outcome changes the state of the system. In a linear process, C as represented in Figure 1 would be a defined end-state. In a non-linear process, C 'feeds back' and thus has an effect on state A, changing the nature of the next state in the system. Feedback processes need to be examined over time, ideally in longitudinal studies,<sup>23</sup> to capture their non-linear nature.

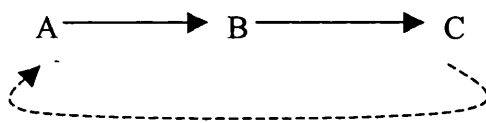


Figure 1.1 Open-Ended Feedback and Feedback Loop (Richardson and Pugh , 1991)<sup>24</sup>

Incremental or regressive change could result in situations where linear, instead of non-linear processes occur. For instance, a problem in an organisation may be diagnosed, and a process to change the policy emerges, which results in a new output in an organisation. The process then repeats itself periodically, whether in a time-bound way or as the organisation reacts to a threat. However, in the linear process, the new state of the system is not taken into consideration as each new policy process begins.

<sup>22</sup> The process, structure and actors in the system have been explained by Parsons' theory of structural-functionalism. See discussion in Garson (1976), op cit., above at n. 20, 48-72.

<sup>23</sup> Garson (1976), op cit., above at n. 20, at 64. For empirical work using longitudinal studies, see, for instance, Pettigrew et al (1992), op cit., above at n. 2; and Baumgartner and Jones (1993 and 2002), op cit., above at n. 16 and 17. The significance of longitudinal studies of process outcomes are explained in Chapter Two, as it is an important component of this study's methodology.

<sup>24</sup> G. P. Richardson and A. L. Pugh, *Introduction to System Dynamics Modeling*, Waltham, Pegasus Communications, 1991, at 5.

Similar linear feedback mechanisms exist in strategy, which could result in the creation of defensive routines in the organisation.<sup>25</sup> This is seen, in particular, where embedded governance structures are highly institutionalised, where organizational capacity is low or where analytical capacity for evaluation is low. Certain types of feedback mechanisms may establish organisational routines but the cause of this phenomenon needs to be explained by analysing the enabling and disabling conditions for change.

The next three sections examine how feedback mechanisms have been used to analyse policy and strategy outcomes and organisational change. The examination of policy and strategy in IOs is not as clear-cut as it seems, as the indicators on which change is based vary between studies of policies and strategy. The differences and similarities of the two are the subject of the following sections.

## 1.2 ANALYSING RESEARCH ON CHANGE

According to some IO practitioners, policy is often guided by and sometimes considered a strategy. A strategy is a guiding or goal-setting tool that can be more comprehensive in nature than policy and usually does not contain elements related to specific implementation guidelines. Less binding policy documents, which some categorise as formal strategic plans or 'Plans of Action', can be used to guide behaviour of participants in an organisational system. These documents can have compliance mechanisms like other, more binding policy documents. Strategy has emerged as a useful tool to encourage organisational participants to work toward a common, lofty goal.

In IOs, strategy and policy have been utilized for different purposes, although there is little evidence in the literature that confirms the differences between the two and how they are utilised. Practitioners and academics alike often confuse the use of the two. King and Cleland (1978) note that the terms 'policy' and 'strategy' have been used synonymously in the literature. They suggest 'policies are meant to guide decision-making within the organisation toward the accomplishment of organisational purposes.

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<sup>25</sup> Argyris notes that 'organisational defensive routines are any routinised policies or actions that are intended to prevent the experience of embarrassment or threat and simultaneously make it unlikely that they can help to reduce the factors that caused the embarrassment or threat in the first place'. Organisational defensive routines are anti-learning and over-protective. C. Argyris, 'Review Essay: First- and Second-Order Errors in Managing Strategic Change: The Role of Organizational Defensive Routines,' in A. Pettigrew (ed) *The Management of Strategic Change*, Oxford, Basil Blackwell, 1987, pp. 342—351, at 345.



Most often, policies tend to limit the scope of alternatives that must be considered in making decisions on the implementation of a strategy'.<sup>26</sup>

On the other hand, Pettigrew (1992) notes that the focus on 'policy to one of strategy implies a greater concern with securing action around the espoused policies'.<sup>27</sup> Thus, the two management researchers have contradictory views on which tool – policy or strategy – should be utilized to guide the formation of one or the other. However, they do find common ground in stating that both strategy and policy can be used as complementary tools, albeit at different times, to implement organisational activities.

Despite the unclear distinction between 'policy' and 'strategy', both can contribute to 'strategic change' in an organisation. What recent theoretical and empirical research explains changes to policy and strategy outputs and how do these contribute to understanding 'strategic change'? A brief overview of the recent literature is provided below.

### ***Analysing Change in Policy Outcomes***

Policy-making can be 'considered to be a set of processes, including at least 1) the setting of the agenda, 2) the specification of alternatives from which a choice is to be made, 3) an authoritative choice among those specified alternatives, as in a presidential decision, and 4) the implementation of the decision.'<sup>28</sup> Generally, the processes involved are used to create a norm, solve a problem, or create action. Recent examinations of policy outcomes tend to be dominated by decision-making analyses.

Reinalda and Verbeek (2004) apply the concept of feedback to explain policy outcomes based on decision-making processes in IOs.<sup>29</sup> They draw attention to the fact that international organisations impose a continuous state of decision-making processes on their members by holding conferences and setting time-bound deadlines in an attempt to

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<sup>26</sup> W. R. King and D. I. Cleland, *Strategic Planning and Policy*, London, Van Nostrand Reinhold Company, 1978, at 53.

<sup>27</sup> Pettigrew et al (1992), op cit., above at n. 2, at 19. This discussion folds into a larger debate on 'hard law' or binding policy documents versus the use of 'soft law' or non-binding documents in IOs.

<sup>28</sup> J. Kingdon, *Agendas, Alternatives, and Public Policies*, Boston, MA, Little Brown, 1995, at 2-3.

<sup>29</sup> See B. Reinalda and B. Verbeek (eds), *Decision Making Within International Organizations*, London, Routledge, 2004. Reinalda and Verbeek's work includes cases of policy-making related to the Kimberley process on conflict diamonds and others on humanitarian aid. The examples, such as the creation of the Kimberley process, a certification measure to ensure diamonds are obtained and traded legally, illustrate the politics of powerful states in determining policy outputs and how non-governmental stakeholders exerted limited, but powerful influences on the outputs.

force decision-making outputs. Such findings build on Cox and Jacobson's earlier studies of decision-making in IOs. They suggested that there are 'representative' and 'participant' subsystems in international organisations. Representative subsystems are dominated by member states and participant subsystems capture those that participate in the decision-making process.<sup>30</sup> Cox and Jacobson indicate that 'a more manageable scheme for a comparative study of international organisations is to use a taxonomy of decisions based on the nature of the issues involved', classifying IOs as either 'service' or 'forum' organisations.<sup>31</sup>

Cox and Jacobson's (1974) work suggests that organisations adapt to their environment based on the information they need for decision-making processes. Service organisations, defined as 'organisations that conduct activities themselves, ...[and] collect, analyse, and disseminate information,' include multilateral development banks such as the World Bank.<sup>32</sup> Forum organisations, defined as 'organisations that provide a framework for member states to carry on many different activities ranging from the exchange of views to the negotiation of binding legal instruments,' includes the UN Environment Programme and other UN regional commissions.<sup>33</sup> Cox and Jacobson's contributions were significant in the way political scientists began to think about studying international organisations. However, such organisational archetypes are limited in their explanations of organisational behaviour. The larger processes leading to decision-making outcomes are not examined over a long period of time or within the context of dynamic organisational environments.

To better understand policy outputs, other political scientists have attempted to analyse actor behaviour and the structures in which they interact. For instance, Baumgartner and Jones (1993) note that policy venues and issue areas, when combined, explain how shifts in political attention occur, using empirical analysis of nuclear power, urban affairs and public health policies in the 1980s and 1990s. Policy venues can be understood generically as arenas in which policy is formed. The term 'issue areas', originally coined by Rosenau (1954), suggests that issues become political when constituencies are

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<sup>30</sup> R. Cox and H. Jacobson, *The Anatomy of Influence*, London, Yale University Press, 1974.

<sup>31</sup> Cox and Jacobson (1974), *op cit.*, above at n. 30, at 9.

<sup>32</sup> *Ibid.*, at 6. Obviously, there are different types of service organisations. Service organisations, such as the UN Development Programme and the World Bank, can do far more than 'collect, analyse and disseminate information. For instance, the World Bank loans a considerable amount of money and generates a substantial amount of project work.

<sup>33</sup> *Ibid.*

mobilised by the content of an issue and make it political.<sup>34</sup> In this study, it is assumed that before an issue is addressed within an IO, domestic constituencies have already determined at one point in time that the issue is of political importance, and thus needs to be addressed at the multilateral level.<sup>35</sup>

But constant formation and change of policy may not always occur within a given issue area. Baumgartner and Jones (2002) built on these findings in 2002 when they showed how peaceful incrementalism can be integrated with jarring change during policy-making processes.<sup>36</sup> The purpose was to demonstrate that the ‘development and functioning of institutions of American government must include simultaneous attention to those mechanisms that induce equilibrium and stability (or negative feedback processes) as well as explore properties of the political system that occasionally create major disruptions, organisations and reconfigurations of the institutions of political life (or positive feedback processes)’.<sup>37</sup> Baumgartner and Jones’s approaches are not directly transferable to the examination of strategy in IOs, due to the differences between the American policy-making process and policy-making in IO systems.

However, Baumgartner and Jones’s (2002) study does merit further consideration for two reasons. First, their primary explanation for why punctuated change occurs in American politics is due to attention shifting. Baumgartner and Jones rely on the presence of media attention, the number of congressional hearings and budgetary information to determine where in a given issue area punctuations occur in trends. The researchers that apply Baumgartner and Jones’ theory posit that attention shifting is a primary reason why punctuated instead of incremental changes exists in an institutional

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<sup>34</sup> See Baumgartner and Jones (2002), op cit., above at n. 16.

<sup>35</sup> Baumgartner and Jones suggest that environmentalism is one type of ‘politically popular idea, which if linked to a particular policy, may quickly lead to its demise’. Baumgartner and Jones (1993), op cit., above at n. 17, at 86.

<sup>36</sup> Baumgartner and Jones (2002), op cit., above at n. 16, at 4. They note that an equilibrium analysis and institutional rational-choice is ‘not a necessary requirement for a feedback process. The literature on bounded rationality, incrementalism, and administrative behaviour more generally is also characterized by negative feedback systems. ...As long as behaviours are consistent, they can be modelled using a negative feedback and equilibrium analysis; nothing in this perspective requires or implies a rational decision-making process. It only requires diminishing marginal returns and negative feedback to inputs; a great many patterns of behaviour conform to these requirements’. Ibid, at 10-11. As mentioned in the Introduction of this thesis, the author adopts the term ‘stability’ rather than equilibrium to refer to periods when the organisation is not undergoing change.

<sup>37</sup> Ibid, at 1.

system.<sup>38</sup> Might attention shifting contribute to punctuated change in strategy in the same way it does policy? This study will explain why attention shifting is an important, but not the only determinant of strategic change.<sup>39</sup> Secondly, Baumgartner and Jones presents the first empirical study on punctuated change in policy outcomes using the concept of feedback, which is a good starting point for analysing strategy and policy in IOs.<sup>40</sup> In this study, the concept of feedback will be expanded and applied to IOs.

Actor-structure interaction, decision-making and events are important components of the policy-making process. However, they alone do not fully capture the rich process of strategy-making processes in organisational systems. The analysis of strategy differs from the political science approach, and may provide useful applications to thinking about strategic change in IOs. Thus, it was necessary to consider a different approaches to strategy analysis, as the outcomes of strategic change may be caused by different factors identified by analyses of policy outcomes.

### *Analysing Change in Strategy Outcomes*

Mintzberg (2003) defines strategy as ‘a pattern, a ploy, a position, a perspective or a plan’. Quinn (2003) takes a broader perspective on strategy, seeing it as a ‘pattern or

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<sup>38</sup> See, for instance, see J. L. True, ‘The Changing Focus of National Security Policy’, and J. C. Talbert and M. Potoski, ‘The Changing Public Agenda over the Postwar Period’, in Baumgartner and Jones (2002), op cit., above at n. 16.

<sup>39</sup> Much of the literature on transformational and incremental change suggests that it occurs due to innovations. For instance, Pettigrew et al (1992) explain how incremental change results because of innovations. Pettigrew et al (1992), op cit., above at n. 2. Hage suggests that, for a transformational change to occur, there is likely to be a shift in the dominant coalition, a period of social conflict, and a transformation of the organisation’s form, at least in its structure, which leads to a qualitative and quantitative shift in the system. See Hage (1980), op cit. above at n. 11, at 246. Innovation is often explored in a domestic policy context and is often dependent on specific entrepreneurs or the salience of issues in the policy process (e.g. Baumgartner and Jones (2002) and Kingdon (1995)). However, the definition of innovation in organisations is not clearly identifiable. However, it may be that ‘original thinking’ in organisations and staff creativity may be all that is necessary to begin a new strategy or a new organisational idea. For instance, Mintzberg (2003) notes in ‘Managing Quietly’, that ‘quiet management is thoughtfulness rooted in experience’ and suggests that this type of management practice may be required to move beyond the trends in management literature on change management, empowerment and globalisation, in H. Mintzberg, ‘Managing Quietly’, in H. Mintzberg, J. Lampel, J. Quinn and S. Ghoshal, *The Strategy Process: Concepts, Contexts and Cases*, Saddle River, New Jersey, Pearson Education, 2003, at 483. ‘Innovation’ is not considered a precondition to strategic change in this study; instead the term creativity is used to explain shifts in strategic approaches that result in incremental or transformational changes.

<sup>40</sup> Political scientists have also undertaken studies of strategy-making. For instance, Barzelay and Campbell (2003) showed how policy innovations within an organisation occur when leaders identify epochal shifts in challenges and opportunities. Barzelay and Campbell base their discussion of strategic change on reactions to events in the past, present and future rather than analysing organisational structure, political actors and performance indicators. However, their explanation alone is not enough to determine significant changes in international organisations, as the study bases its analysis on policy episodes and events. Barzelay and Campbell (2003), op cit., above at n. 5.

plan that integrates an organisation's major goals, policies, and action sequences into a cohesive whole. Quinn notes that a strategy that is well-formulated can help 'marshal and allocate an organisation's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment, and contingent moves by intelligent opponents.'<sup>41</sup>

Due to the variety of definitions and schools of strategy, Mintzberg et al (2003) express uncertainty over whether all the ten schools of strategy are present in one process of strategy formation, or if only some are present during the strategy formation process. One school in particular, the 'configuration school' suggests that strategic change happens in leaps, or transformations, and combines a variety of strategic planning approaches.<sup>42</sup> The ten 'schools' of strategy are explained in Box 1.1 below:

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<sup>41</sup> H. Mintzberg, J. Lampel, J. Quinn and S. Ghoshal, *The Strategy Process: Concepts, Context and Cases*, New Jersey, Pearson Education, 2003, at 10.

<sup>42</sup> H. Mintzberg and J. Lampel (2003) 'Reflecting on the Strategy Process', in Mintzberg (2003) op cit., above at n. 41, pp. 22—29, at 26.

## TEN SCHOOLS OF STRATEGY

**Design:** This school views strategy formation as achieving the fit between internal organisational strengths and weaknesses and external threats and opportunities. Senior management formulates clear, simple and unique strategies in a deliberate process of conscious thought – which is neither formally analytical nor informally intuitive – so that everyone can implement the strategies. (P. Selznick; A. Chandler; K. R. Andrews).

**Planning:** Derived from the design school's perspective on strategy, but suggests that strategy formation process is formal, decomposable into distinct steps, delineated by checklists and supported by specific techniques (especially with regard to objectives, budgets, programmes and operating plans). Staff planners replace senior managers as the key players in the strategy process (H. I. Ansoff).

**Positioning:** Strategy reduces to generic positions selected through formalised analysis of industry situations, which includes research on strategic groups, value chains and game theories. In this view, planners become analysts (D. E. Schendel; M. E. Porter, 1980).

**Entrepreneurial:** The entrepreneurial school centres (like the design school) the process on the chief executive, but unlike the design school and opposite from the planning school, links the process of strategy to broad visions and broad perspectives. In this view, the leader maintains such close control over implementing his or her formulated vision that the distinction central to the three prescriptive schools (above) begins to break down (J. A. Schumpeter; A. H. Cole).

**Cognitive:** In the 1980s and today, the cognitive school emphasises strategy formation based on cognition as information processing, knowledge, structural mapping and concept attainment. The newer branches have focused on subjective interpretive or constructivist processes: 'that cognition is used to construct strategies as creative interpretation rather than simply to map reality in some more or less objective way, however distorted (H. Simon and J. G. March).

**Learning:** A descriptive school of strategy, where strategies are emergent and strategists are found throughout the organisation and formulation and implementation intertwine (C. E. Lindblom; R. M. Cyert and J. G. March; K. E. Weick; J. B. Quinn; C. K. Prahalad and G. Hamel).

**Power:** Two strands of this school exist, both rooted in the concept of power: micro-power, which sees the development of strategies within the organisation as political – a process involving bargaining, persuasion and confrontation among actors who divide the power; and macro-power, which views the organisation as an entity that uses its power over others and among its partners and alliances, joint ventures and other network relationships to negotiate 'collective' strategies in its interest (G. T. Allison; J. Pfeffer and G. R. Salancik; W. G. Astley).

**Cultural:** In the cultural school, strategy formation is a social process rooted in culture, focusing on common interest and integration (E. Rhenman and R. Norman).

**Environmental :** This school is concerned with how organisations react to and use degrees of freedom to maneuver through their environments (M. T. Hannan and J. Freeman; D. S. Pugh et al). Lampel and Mintzberg also include contingency theory in this school, which considers the responses expected of organisations facing particular environmental conditions as well as the population ecology writings that claim severe limits to strategic choice.

**Configuration:** Emphasises integration of schools, each configuration in effect, in its own place, and sees the organisation as coherent clusters of characteristics and behaviours. It describes organisational strategy as in 'states', where change must be described as rather dramatic transformations – the leap from one state to another (A. D. Chandler; H. Mintzberg; D. Miller; R. E. Miles and C. C. Snow).

Box 1.1 The Ten Schools of Strategy (Compiled from Lampel and Mintzberg, 2003)<sup>43</sup>

<sup>43</sup> Lampel and Mintzberg (2003), op cit., above at n. 42, at 23–26.

Despite the range of strategy types and processes, Mintzberg explains that an organisation must be in a period of stability in order to form a strategy. He notes, 'the very fact of having a strategy, and especially of making it explicit, creates resistance to strategic change'.<sup>44</sup> This indicates that in order to overcome such resistance, certain factors must be present in the organisations in order to make transformative change occur in an organisational system.<sup>45</sup>

In the late 1980s and early 1990s, government and public sector organisations began to apply strategy within their organisations. With the emergence of the New Public Management (NPM), which was primarily influenced by academic books such as Osborne and Gaebler's (1990) *Reinventing Government*, governments and academic writers sought to explain elements of reinvention and transformational change in organisational practices.<sup>46</sup> Such efforts encouraged strategic planning as part of the 'reinvention' process and a practical tool that could be used by managers in the public sectors. Similarly, this study reviews strategy's contribution to 'reinvention' in IOs.

The understanding of strategic planning in the public management literature, however, is largely based on the application of techniques rather than the exploration of processes. Popular approaches to public sector strategy design in the 1990s emerged from the techniques discussed in two works: John Bryson's *Strategic Planning for Public and Non-Profit Organisations* and Nutt and Backoff's *Strategic Management and the Public Sector*. To bring about change in the public organisations, strategic techniques such as Strengths, Weaknesses, Opportunities and Threats (or SWOT) and stakeholder analyses, were applied in organisations and analysed in the academic literature. Most of the public management literature in the early 1990s gave the impression that strategy could be a

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<sup>44</sup> H. Mintzberg (2003) 'Crafting Strategy', in Mintzberg (2003), op cit., above at n. 41, at 145.

<sup>45</sup> Similarly, this discredits suggestions that organisations adapt to change 'all the time' (e.g. in private sector organisations, see S. Brown and K. Eisenhardt, *Competing on the Edge: Strategy as Structured Chaos*, Boston, Harvard Business School Press, 1998; in public sector organisations, see Haas and Hass (1995), op cit., above at n. 7. This study builds the argument that an organisation experiences times of stability and times of change. Understanding when and why such abrupt shifts occur in organisations is the subject of the empirical research.

<sup>46</sup> For instance, the U.S. government changed its management practices as a result of the 1993 Gore report and the New Zealand government also radically changed its approach to public management in the early 1990s. See D.E. Osborne and T. Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, New York, NY, Plume, 1993.

formalised, incremental and calculated approach in the public sector, by using such techniques.<sup>47</sup>

As Bryson (1995) notes, however, the most important thing in the strategy process is the ‘vision’ managers use, not the actual method by which a written strategy is designed. A vision should capture the strategic thinking of the participants in the strategy exercise, and serves as an indicator of the organisation’s objectives and medium to long term direction. Whether strategic change is captured in a formal strategic plan or exists in only informally, the intent of the change initiative is to operationalise actor behaviour within a given organisational system.

Research in the management literature during the late 1980s and 1990s was rich with investigations of strategic change in the context of larger organisational change. These studies explained that strategy alone may or may not have a transformational effect on the organisation.<sup>48</sup> Strategic formation in this study is investigated at both the departmental and organisational (corporate) levels. Thus, the effect of strategy may be different in organisations across the same global issue area.

While this study does not focus on the overall transformation of an international organisation (such as an organisational reform initiative), it will explain how strategic change outputs can encourage change within the entire organisation using both strategy and policy tools. Management research on organisational change provides insights on how strategies and policies are reoriented various organisational systems. One recent explanation in the management literature, proposed by M. A. Sastry, offers useful applications to thinking about strategic change in IOs.

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<sup>47</sup> The use of formal techniques and approaches to forming strategy became known as ‘strategic management’ in the literature. Levy, Alvesson and Willmott draw from critical theory to critique strategic management as a ‘narrow paradigm ....deeply rooted in the managerial functionalist paradigm. As such, it presumes the legitimacy of the established managerial priorities and is dedicated to identifying more effective and efficient means for their realisation. It largely takes for granted the historical and political conditions under which these priorities are determined and enacted’. D. Levy, M. Alvesson, and H. Willmott, ‘Critical Approaches to Strategic Management’, paper presented at the Critical Management Studies Conference 2001, 11-13 July 2001, hosted by Manchester School of Management, UMIST, England, available at

<<http://www.mngt.waikato.ac.nz/research/ejrot/cmsconference/2001/Papers/Strategy/Levy.pdf>>, at 1. This thesis does not take these connections for granted and instead attempts to bridge this gap both in its theoretical and methodological approaches and under the rubric of strategic change.

<sup>48</sup> Tushman and Romanelli suggest that at least three elements must be present in the organisation in order for it to undergo transformational change: leadership change, strategy change and structural change. See E. Tushman and M. L. Romanelli, ‘Organisational Transformation as Punctuated Equilibrium: An Empirical Test’, *Academy of Management Journal*, 1994, Vol. 37, pp. 1141—1166.



M. A. Sastry (1997) examined the concept of strategic change in organisations using a management approach. The core of her ‘punctuated organisational change’ theory is based on strategic reorientation and the appropriateness of a strategy’s fit in its internal and external organisational environments. In her theoretical model, if the organisation’s strategic orientation is a poor fit with its environment, it can lead to revision of the organisation’s strategy.

In her theory of punctuated organisational change, Sastry (1997) builds on Tushman and Romanelli’s theory of discontinuous change in organisations. Tushman and Romanelli (1994) note that the ‘impetus to change results from pressures due to poor performance (the most basic forces for reorientation), but the effect of the pressure is counteracted by the resistance to change resulting from inertia (i.e. social and structural decisions that reduce ability for transformational changes)’.<sup>49</sup> The implications of this research have important concepts for understanding strategic change in IOs.<sup>50</sup>

However, the problems with applying Sastry’s model of punctuated organisational change directly to the study of IOs include that first, as Sastry herself notes, her model assumes that strategy reorientations are an invariant process, and one based on routine in organisations; second, I argue that without already knowing about the strategic change process in IOs, direct application is risky; and third, Sastry’s model does not explain incremental and regressive change, which are the subject of this study. Nevertheless, certain components of her theory directly explain reasons why new approaches to strategy are taken in IOs and may help bridge the gap between two key elements of the strategic process: levels of organisational inertia and an organisation’s ability to change.

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<sup>49</sup> Tushman and Romanelli’s (1994) theory of discontinuous organizational change sheds light on why changes to strategies, structure or power distributions alone fail to increase the likelihood of organisational transformation. For a discussion, see M. A. Sastry, ‘Problems and Paradoxes in a Model of Punctuated Organizational Change’, *Administrative Science Quarterly*, 1997, Vol. 42, pp. 237—275. The sociological tradition of organisational change, in contrast to Sastry, suggests that adaptation is due to the poor fit between organisational structure and performance. But as Sastry notes, change is due to more than just organisational structure and performance, and accounts for convergence on routines on the organisation as another form of causality. This emphasis on routines and performance will be an important part of the empirical work in this study.

<sup>50</sup> S. Brown and K. Eisenhardt suggest that organisations, instead of operating under a ‘punctuated equilibrium model of change’ exist in a ‘continuous transformation model of change’. While Brown and Eisenhardt’s suggestion might be appropriate for fast changing private sector environments, the pace of change in international organisational environments is not as fast. As will be seen in the empirical work, many international organisations do not have the capabilities to change in a fast paced environment. For more information on Eisenhardt and Brown’s model, see S. Brown and K. Eisenhardt (1998), *op cit.*, above at n. 45.

Sastry notes that her model does not make explicit the building of inertia and how organisational routines and norms contribute to incremental versus transformational (or dramatic) changes in organisational systems. This study attempts to expand Sastry's models and make this connection explicit. As will be shown in Chapters Four—Seven, the strategy process, whether contained within the organisation's boundaries or in a different venue, may help elucidate the causes of and increase inertia in the organisation.

The ability to change destructive organisational behaviour (whether it is based on poor routines due to financial or staff performance) is based on inertial forces. The greater the inertia the less the organisation's ability to change.<sup>51</sup> As Sastry notes, 'as inertia builds up...signals of poor performance must be stronger for the organisation to react, as organisational members are slower to perceive discrepant signals of poor performance after a long period of convergence, and new ideas are more difficult to assimilate into an organisation that has not changed in a long while'.<sup>52</sup> Thus, routines in decision-making, which exist in the form of organisational rules and norms, are created over time, and establish formal routines in the organisation or organisational practice. If an organisation can break such inertia in an organisational system, only then can it change its strategic orientation. Similarly to policy change, inertia in strategy change is largely due to negative feedback behaviour in the organisational system.

Sastry's model explains how dynamic feedback captures the non-linear and complex nature of strategy and policy formation in organisations. Yet, not all academics view this as a sufficient explanation of organisational change. Since such policy and strategy formation may occur in different ways, recent management and development literature has suggested that complex issues in organisational environments need to be explained using complexity theory. Academics applying complexity theory argue that a larger system, rather than an organisational system with definable boundaries, must be analysed to explain the connectedness and outcomes of political and social problems. The merits and drawbacks of such an argument are examined below, before turning to an explanation of why organisations rather than larger complex systems are the chosen unit of analysis in this thesis.

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<sup>51</sup> Sastry (1997), *op cit.*, above at n. 49, at 244. This concept is also explained in Baumgartner and Jones's discussion of homeostasis in negative feedback mechanisms.

<sup>52</sup> *Ibid.*

### 1.3 MANAGERIALISING COMPLEX SYSTEMS?

Based on the above explanations of policy, strategy and organisational analyses, it is clear that the internal planning processes for strategy can be examined within the definable boundaries of an organisational system. Sastry's model of punctuated organisational change is transferable to a study of organisational sub-unit or organisational level studies of strategy in IOs. Such an approach can help explain the reasons for changes or 'reorientations' in an IO's strategy and policy. However, there are many internal and external organisational factors that contribute to such change.

Due to the range of factors affecting the organisational system, many political science and management researchers have drawn from physics, chemistry, engineering and biology to explain organisational change. The compilation of theory drawn from these sciences is known as 'complexity theory'. A number of researchers have recently applied complexity theory to understand and analyse development problems and organisations. Interest in complexity theory was heavily influenced by J. Gleick's *Chaos Theory* and P. Senge's *The Fifth Discipline*.<sup>53</sup> Complexity theorists explain outcomes in organisational systems using natural and physical sciences to explain how structures form and interaction occurs in a given organisational system, and do not draw much from the management literature.<sup>54</sup>

Using another example, Robert Jervis (1997) applies complexity theory to explain feedback behaviour in political systems. When studying systems, Jervis suggests the need to look at the complex set of interactions within an entire system and their effects on the outcome of processes.<sup>55</sup> He notes that the interconnectedness of patterns, whether in processes or other chains, is more easily explained when they are short and familiar. He attempts to predict outcomes of political scenarios using game theory and

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<sup>53</sup> See J. Gleick, *Chaos Theory*, New York, Penguin, 1988; P. M. Senge, *The Fifth Discipline: The Art and Practice of the Learning Organisation*, New York, Doubleday/ Currency, 1990.

<sup>54</sup> For more applications of complexity theory to development, see S. Rihani, *Complex Systems Theory and Development Practice: Understanding Non-linear Realities*, London, Zed Books, 2002; for applications to organisations, see E. Mitleton – Kelly (ed) *Complex Systems and Evolutionary Perspectives on Organisations*, London, Pergamon, 2003; for applications to political science, see R. Jervis, *System Effects: Complexity in Political and Social Life*, Princeton, Princeton University, 1997.

<sup>55</sup> Robert Jervis explains the need to look at interactions within a system to explain outcomes of events and processes. He notes that 'a systems approach shows how individual actors following simple and uncoordinated strategies can produce aggregate behaviour that is complex and ordered, although not necessarily predictable'. In R. Jervis (1997), op cit., above at n. 54, at 7.

demonstrates how incentives drive behaviour in systems.<sup>56</sup> However, he does not fully move past the use of complexity as metaphor in his work.

Others in the development studies field have similarly applied complexity theory to explain development problems at the national level. These too suffer from the same metaphoric application of complexity. Samir Rihani (2002) notes that a paradigmatic shift is needed to explain how nations act (and interact) as complex adaptive systems (CAS) to slowly evolve, but where their 'evolution is an uncertain and lengthy process that does not lead to an optimal end state'.<sup>57</sup> However, Rihani does not thoroughly analyse such system behaviour, avoiding identification of stable and periodic transformations in the systems he researches.

Nevertheless, elements of complexity theory can help explain the behaviour of complex organisations. Elements of complexity theory may explain why strategic change in organisational environments occurs both incrementally and with 'major leaps', since complexity theory is rooted in biological studies and how organisms adapt to their environments.<sup>58</sup> Organisations need to adapt to the changing preferences of stakeholders, contentious political events, financial sensitivities and other external organisational factors, which shape their approach to policy and strategy formation. Complexity theory may well play a role in explanations of strategic change across a system of organisations, but this study primarily accounts for strategic change behaviour within discrete organisations or organisational sub-units.

As a result, definable boundaries can be drawn each organisation to determine the organisational system's process of strategic change. International organisations, while complex and established to solve complex problems, have definable boundaries and processes that can be studied using available methods drawn from a number of disciplines. Understanding the endogenous and exogenous effects of organisational environments is a key part of the strategic change process. Selecting factors to explain such change has recently encouraged organisational researchers to analyse organisations as CAS, instead of analysing them within concrete organisational boundaries. However, complexity theory has not yet built the sophistication to interpret organisational outputs

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<sup>56</sup> Jervis (1997), *op cit.*, above at n. 54.

<sup>57</sup> Rihani (2002), *op cit.*, above at n. 54, at 9.

<sup>58</sup> R. Grant, 'Strategic Planning in a Turbulent Environment: Evidence from the Oil and Gas Majors', *Strategic Management Journal*, 2003, Vol. 14, June 2003, pp. 491—517.

or strategic change in cohesive and analytical ways. Thus, this study will draw primarily from the well-established organisation science and management literature.

Since this study will view organisations as having definable boundaries, their form and structure will be analysed. Contemporary researchers have not thoroughly investigated organisations' form and structure on strategic change. Weaver and Leiteritz (2005) have recently broken new ground in analysing structural change in the World Bank, arguing that despite structural reform to the organisation, culture was the key impediment to achieving successful reform outcomes.<sup>59</sup> Yet, this thesis examines strategic change that may lead to overall organisational change as well as organisational sub-unit change (e.g. departmental level change). Not enough information has been collected on the distinct and structurally unique forms of IOs. Thus, we cannot yet conclude that in each case of organisational change, culture would be the main impediment to achieving strategic change. As a result, we must begin to investigate the various IO forms and structures using the foundations of organisational research, beginning with Max Weber.

### *Adapting Organisational Structure to New External Environments?*

One of the earliest studies on organisations was by Max Weber. According to March and Simon (1958), he has made four major contributions to the study of organisations: 'to identify the characteristics of an entity he labelled "bureaucracy"; to describe its growth and the reasons for its growth; to isolate the concomitant social changes; to discover the consequences of bureaucratic organisations for the achievement of bureaucratic goals'.<sup>60</sup> Although Weber explains, among other issues, bureaucratic behaviour using arguments of rationality in organisations, there are arguments that such an approach emphasises efficiency over other forms of organising.<sup>61</sup> As a result, Weber's interpretation of organisational behaviour is limited in its assessment of structures, processes and actors in the system. The explanation is limited in its ability to explain how organisations

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<sup>59</sup> C. Weaver and R. Leiteritz, "Our Poverty is a World Full of Dreams": Reforming the World Bank', *Global Governance*, 2005, Vol. 11, pp. 369—388.

<sup>60</sup> March, J. G. and Simon, H. A.; with the collaboration of Harold Guetzkow, *Organizations*, Second Edition, Cambridge, MA, Blackwell, 1993, at 55.

<sup>61</sup> March and Simon (1958) note 'without denying Weber's essential proposition that bureaucracies are more efficient (with respect to the goals of the formal hierarchy) than are alternative forms of organisation, the research and analyses of Merton (1940), Selznick (1949), and Gouldner (1954) have suggested important dysfunctional consequences of bureaucratic organisations. Gouldner and others propose that treating humans like machines will encourage the continued use of the machine model'. This suggests that the bureaucratic organisation is susceptible to routine formation. In March and Simon (1993), op cit., above at n. 75, at 55—56.

change, taking into account concerns other than efficiency, and how endogenous and exogenous response mechanisms in organisations determine the extent to which organisations change. For instance, one major trend in international organisations in the 1990s is the emergence of a new range of actors that need to be included in an organisational system.

As organisational structures change and become decentralised to account for a range of new actors and interests, processes of strategy and policy formation and decision-making reflect the need to engage with different actors in a non-linear pattern. Perrow (1986) emphasises that non-linearity in organisational systems has important effects on the structure and processes of an organisation. He proposes that a neo-Weberian model of organisations is required, for instance, to cope with elements of decentralisation, where ‘loose’ rather than ‘tight’ coupling is necessary to cope with the complex interactions in organizational environments.

‘Loose’ coupling exists in an organisational system where an organisation has ‘time to react, a chance to make substitutions, [and an opportunity to] delay activities’, which provides space for decentralised authority to exist.<sup>62</sup> This is unlike ‘tight’ coupling which, ‘promotes rapid decision-making, centralised decisions with unreflective responses, strict schedules, and...immediate responses to deviation’.<sup>63</sup> The degree of coupling is an important organisational characteristic that determines how an organisation responds to threats and other risks in its internal and external environments. To strike a balance between internal top-down led initiatives and bottom-up consultative processes, a complex organisation needs to mix ‘loose’ with ‘tight’ coupling. Perrow (1986) explains how tight and loose coupling should be examined in conjunction with organisational structure to determine overall organisational behaviour.

Perrow (1986) also reveals how feedback processes occur in such organizational environments. He suggests that feedback processes are based on the type of organisational structure and management style of the system. Perrow, in his neo-Weberian model, suggests that although some organisations try to increase their degree of ‘linearization’, such organisations cannot avoid being ‘complexly interactive’. This

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<sup>62</sup> C. Perrow, *Complex Organizations: A Critical Essay*, Third Edition, London, McGrawHill, 1986, at 149.

<sup>63</sup> Perrow (1986), op cit., above at n. 62, at 148.

means that organisations need to show some degree of flexibility when working in complex environments. If organisations maintain a structure that is too ‘tight’, they may be less able to adapt to complex environments, and as a result, have limited capacities when undertaking change efforts.

Strategic change at the organisational level is considered ‘a difference in the form, quality or state over time in an organisation’s alignment with its external environment’.<sup>64</sup> A popular explanation of why organisations change has been explained using institutional approaches. Institutional theories of organisations indicate that structures are similar, and, among other things, coercive forces (e.g. powerful member states of those institutions) influence behaviour of organisations to become more similar (or isomorphic) in nature.<sup>65</sup>

Taylor and Hall (1996) note, ‘sociological institutionalists argue that organisations adopt a new institutional practice, not because it advances means-ends efficiency of the organisation, but because it enhances the social legitimacy of the organisation or its participants’.<sup>66</sup> They note that such effects on the cultural environment may have a ‘dysfunctional’ effect on achieving the ‘organisation’s formal goals’.<sup>67</sup> While the sociological institutionalist approach to explaining organisational change does have merits in explaining why actors converge around particular strategic choices when forming formal goals in organisations, Taylor and Hall note that a combination of institutionalist approaches may be necessary to capture the comprehensive behaviour of the organisation.

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<sup>64</sup> N. Rajagopalan and G. Spreitzer, ‘Toward a Theory of Strategic Change: A Multi-Lens Perspective and Integrative Framework’, *The Academy of Management Review*, 1997, Vol. 22, No. 1 (Jan, 1997), at 49.

<sup>65</sup> DiMaggio and Powell note that ‘the process of institutional definition’, or ‘structuration’, consists of four parts: an increase in the extent of interaction among organisations in the field; the emergence of sharply defined interorganisational structures of domination and patterns of coalition; an increase in the information load with which organizations in a field must contend; and the development of a mutual awareness among participants in a set of organisations that they are involved in a common enterprise. P. J. DiMaggio and W. W. Powell, ‘The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organisational Fields’, 1983, *American Sociological Review*, Vol. 48, pp. 147—160.

<sup>66</sup> P. Hall and R. Taylor, ‘Political Science and the Three New Institutionalisms’, *Political Studies*, 1996, XLIV, pp. 936—957, at 949.

<sup>67</sup> Hall and Taylor (1996), op cit., above at n. 66, at 949. Hall and Taylor explain historical, rational choice and sociological institutionalism in this article. They note the limitations of rational choice explanations saying that it is highly ‘functionalist’, or how institutional origin predicts its future behaviour ‘tends to assume that the process of institutional creation is highly purposive;...[is] under the control of actors who correctly perceive the effects of the institutions they establish’;...[and] relies on a ‘voluntary agreement among equal and independent actors’. They suggest that the ‘equilibrium character’ of the explanation ‘is contradictory to making change in institutions’. Ibid, at 952—53. Based on this and other discussions of institutions, this thesis separates institutions in organisations as formal governance structures, in which change is less likely to occur.

Nevertheless, Powell and DiMaggio (1991) note that institutional theory does not explore non-linear processes, which are an important component of complex organizational systems, especially those that adapt to their environments. It also does not make distinctions between the governance structures in the organisational system and the structures that implement policies and strategies. Other, more holistic explanations must be sought to explain such behaviour. One promising approach to discussing public organisational behaviour is using the governance model of organisations.

Hult and Walcott (1990) propose a governance model of public organisations, which accounts for legitimate outputs of an ordered polity. In Hult and Walcott's governance model,

‘the term governance [refers] to politics that is conducted within relatively structured settings, bound for the most part by rules. The rules may be formal, prescribing that conflicts be settled in particular forums by certain people, or they may be informal understandings among the participants. The structures may be specialised instruments for handling political matters, or they may be used for other tasks, such as control and supervision.....[The governance model captures] the dynamics of an organisation's search for the orienting values and goals and the broader policy strategies that set the parameters and provide the direction for its efforts at control.’<sup>68</sup>

This model explains why actors within powerful organisational governance structures create formal rules for its members to follow. Such structures, viewed in this thesis as institutions, can create routines or norms that dominate organisational behaviour.

This model, although seemingly applicable to many international organisations, does not fully account for all IO behaviour during the change process. For instance, even if an IO subscribes to and is controlled by the dominant polity, how can it undergo a change process? Are such change processes only contained within formal governance structures

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<sup>68</sup> K. M. Hult and C. Walcott, *Governing Public Organizations: Politics, Structures, and Institutional Design*, Pacific Grove, California, Brooks/Cole Publishing Company, 1990, at 29—31. It should be noted that the governance model is aimed at prescription – at promoting the concept of good governance in public organisations. This thesis recognises the importance of inclusivity and accountability in strategic change processes, but is not prescriptive in its outcome. As every political issue and organisational environment will be different, this thesis recognises these differences and thus does not prescribe a generic model of ‘good governance’ for IOs.



of the organisation? As we will see in the empirical work, sometimes a break from formal organisational environments is required to induce strategic change; as such an alternative way of explaining such changes is how IOs function as network-based structures.<sup>69</sup>

### ***Breaking Down Bureaucracy: Network-Based Organisations***

With regard to the increasingly complex organisational environments, traditional hierarchical structures in international organisations are being broken down and have become more networked-based.<sup>70</sup> Lowendahl and Revang (1998) note that the ‘dominating principle for organisational design through the 20<sup>th</sup> century in the Western hemisphere has been Taylorism or Fordism and the Weberian bureaucracy, or organisational species with a strong heritage in these principles such as professional bureaucracies and divisionalised companies.’<sup>71</sup> They note that the traditional ‘pyramid’ structures of management and organisation are disappearing due to the increasingly complex internal and external environments in which companies have to operate. Thus, network and matrix organisations are beginning to emerge due to organisations’ changing internal and external environment. As will be explained in the empirical work, such changes are key to the organisation’s ability to change.

The level of complexity in organisations’ internal and external environments varies. The level of a firm’s internal complexity ‘increases with the number of different kinds of knowledge and skills (occupations) among the employees as well as with the required level of sophistication within the respective knowledge and skill areas. The pressures from external change (namely those of uncertainty) may push the organisation in the

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<sup>69</sup> Network organisations have a more horizontal structure than hierarchical bureaucracies. Networks of international organisations also exist in the international system, as there are many agencies and organisations that share responsibility for a political issue area. This latter issue will be demonstrated in Chapter Three. There are over 14 organisations working on forests in the international system, which participate in a collaborative organisational network.

<sup>70</sup> Parsons’ functionalism has been linked to systems theory. Parsons drew from Weber and Durkheim to stress the there was a chain or hierarchy in social organization, and that the structure of the organisation would largely predict the behaviour or the outcome of an organisational process. It should be noted that Hult and Walcott’s governance model accounts for network-based actors in explaining decision-making outcomes. However, it neglects to consider the role of organisational actors and consultants that act outside of formal organisational governance structures. As such, this thesis considers actors that govern decisions and those actors that may not necessarily govern decisions in organisations, but nevertheless have an important influence on the output of organisational strategic change (e.g. the departmental staff member or non-governmental stakeholder at the local level). It also considers the organisation’s capacity to carry out the strategic change process.

<sup>71</sup> B. Lowendahl and O. Revang, ‘Challenges to Existing Strategy Theory in A Postindustrial Society’, *Strategic Management Journal*, 1998, Vol. 19, pp. 755—773, at 758.

direction of increased internal complexity'.<sup>72</sup> Lowendahl and Revang (1998) suggest that management's ability to deal with internal and external challenges occurs in the organisation simultaneously, making the organisation more postmodern.<sup>73</sup> The combination of the two types of complexity requires the need for new approaches and tools to cope with such changes in these environments.

The reason for organisations' increased internal complexity is due in large part to the complex external organisational environments in which they function.<sup>74</sup> These external environments could be considered networks of actors and other organisations that work in a particular issue area. Networks 'encompass a firm's set of relationships, both horizontal and vertical, with other organisations'.<sup>75</sup> In the context of IO relationships, such networks include a varying range of stakeholder groups, public and private partnerships, and strategic alliances. Networks have had an impact on two aspects of organisations' policy and strategy processes: performance assessments and governance structures.

Changing governance patterns have had an impact on how organisations respond to their environments. Kettl (2003) argues that one of the approaches to cope with new governance problems is that new strategies and techniques are needed for popular participation.<sup>76</sup> Reinecke (1998) proposes that policy is formulated based on a series of 'global public policy networks' to engage various actors at different levels in the policy debate'.<sup>77</sup> Global public policy networks require distributive governance in which participation by a variety of actors, including public, private and non-governmental organisations share formal governing authority to solve global policy problems.<sup>78</sup>

Corporate governance has emerged as a trend that balances individual and communal

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<sup>72</sup> Lowendahl and Revang (1998), op cit., above at n. 71, at 758.

<sup>73</sup> For instance, they state that traditional forms of working with stakeholders do not simply exist as a task that is delegated from a CEO to line management and that certain components of an organisation deal with other demands of stakeholders.

<sup>74</sup> For instance, the changing nature of governance patterns in international organisations has led to the creation of new structures to increase stakeholder participation. Such new structures will be explained in Chapter Three, and the implications of these changes will also be discussed in the empirical work.

<sup>75</sup> R. Gulati, N. Nohria and A. Zaheer, 'Strategic Networks', *Strategic Management Journal*, 2000, Vol. 21, pp. 203—215, at 203. They suggest there are opportunities and constraints for organisations operating in networks.

<sup>76</sup> D. F. Kettl, *The Transformation of Governance: Public Administration for Twenty-first Century America*, Baltimore, Johns Hopkins University Press, 2002, at 169.

<sup>77</sup> W. Reinecke, *Global Public Policy: Governing Without Government?* Washington, DC, Brookings Institution, 1998.

<sup>78</sup> R. Keohane and J. Nye, 'The Club Model of Multilateral Cooperation and the Problems of Democratic Legitimacy', paper prepared for the American Political Science Convention, 31 August—3 September 2000, Washington, D.C., available at <<http://www.ksg.harvard.edu/prg/nye/clubmodel.pdf>>.

goals with economic and social interests. This suggests that challenges, legitimacy and the public interest are issues that organisations address in their internal and external environments.<sup>79</sup>

Additionally, management researchers suggest that networks have an impact on an organisation's level of performance and access to information increases in network-based environments. Gulati et al (2000) indicate that 'neglecting the strategic networks in which firms are embedded can lead to an incomplete understanding of firm behaviour and performance'.<sup>80</sup> Governance issues have an impact on performance, as public perceptions may shape how success of policy and strategies is determined. However, other important criteria in determining firm performance, which are determined by the organisation's ability to gather financial and qualitative data on implementation of policies and project costs in the countries where they operate.<sup>81</sup> Information from other actors in an organisation's network may also determine how strategic changes take place in the organisation, due to organisational positioning in an issue area or strategic advantages such as greater financial or knowledge-based resources.

Thus, the relationships within an organisation's network are an important component of understanding strategic change. If an organisation operates in a network, this suggests there may be greater non-linear behaviour contributing to strategy and policy change. Without closely examining the complex internal and external environments of organisations, however, a comprehensive assessment of strategic change in IOs cannot be performed.

In contrast, linearity in organisations helps to reduce the amount of complexity and uncertainty in a system, thus making planning and strategy and policy outputs more predictable. However, this may lessen the amount of transformation possibilities in the system and make strategy and policy less applicable for managing real-world, complex development problems.<sup>82</sup> To understand the degree of linearity in organisational

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<sup>79</sup> Kettl suggests that in the public sector, five big issues exist: challenges; capacity; legitimacy; sovereignty; and the public interest. Kettl (2002), op cit., above at n. 76.

<sup>80</sup> Gulati et al (2000), op cit., above at n. 75, at 204.

<sup>81</sup> Hage notes that 'the most typical reason for the lack of information about a performance gap is the lack of a measure'. Hage (1980), op cit., above at n. 11, at 213.

<sup>82</sup> C. Perrow suggests that transformative processes in organisations often must be complexly interactive, thereby reducing their linearity and predictability in organisations. He provides the example of the increased reliability of air traffic control over the last twenty years, due mostly to its increased linearity. In linear systems, there is 'tight coupling' present, where rapid decision-making and strict schedules exist.

systems, the various types of planning approaches and organisational structures should be analysed.

The criteria driving strategic change, which are based on internal and external organisational environments, will be discussed in Chapter Three.<sup>83</sup> However, because the forest issue area crosses internal and external organisational environments, the research approach must be designed to span both environments. These should differentiate between systems that are more linear (such as bureaucracies) versus those that are dynamic (e.g. network-based organisations). Two elements that make systems more linear, performance and inertia, are captured in Sastry's (1997) model of punctuated organisational change. Understanding how and why the system deviates from this model due to its network-based behaviours will assist in explaining strategic change.

#### **1.4 CONCLUSIONS: RESEARCHING STRATEGIC CHANGE**

This chapter proposed and explained three types of strategic change in international organisations. It expanded the concept of strategic change, drawing from previous studies of policy, strategy and organisations in a variety of disciplines. It illustrated why further investigation of the strategic change process is required and how the organisation serves as a useful vantage point from which to analyse the strategic change process.

Strategic change can be analysed using existing theories of policy and strategy change. To date, the political science literature has studied specific decision-making processes and the role of specific actors in determining policy outcomes. This literature emphasised the role of feedback in strategic change and how it leads to a variety of outcomes. The management literature has also offered useful approaches to analysing strategic change in organisations, some of which will be applied in this thesis.

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Perrow notes that linear and tightly coupled systems where complexity is high are often the most prone to risk. Organisational systems can be linear, with centralised decision-making components, but have loosely coupled, decentralised components to cope with complex interactions in the system. This interpretation of organisational systems helps explain the variety of IO behaviours in the empirical work. See Perrow (1986), *op cit.*, above at n. 62, at 148.

<sup>83</sup> Mattsson notes that strategic change 'refers to a major (realised or anticipated) change in a firm's position in a network. By definition, strategic change for one firm implies strategic changes for other firms also.' L. Mattsson, 'Management of Strategic Change in a "Markets-as-Networks" Perspective', in A.M. Pettigrew, *The Management of Strategic Change*, Oxford: Basil Blackwell, 1987, pp. 234—257, at 241. As will be seen in the empirical work, IOs position in a network is not always affected by other firms' position in the network. However, strategic changes in one IO often prompt changes in other IOs in the same network.

In this study on international organisations, the method of research attempts to bridge some of the gaps in previous approaches to analysing policy and strategy processes. New approaches are designed to capture the non-linear and complex processes that occur in internal and external IO environments. Rather than analysing policy and strategy outputs based on discrete events in organisations, feedback is used to explain policy and strategy outputs in international organisations. Such outputs have not yet been investigated using this approach.

This new approach to investigating policy and strategy processes will shed light on organizational behaviour within a network of organizations. This research approach captures the historical, political and cultural aspects of the policy and strategy processes in IOs. Given the complexity of the issue area—forests—and the complex network in which it exists—fourteen international organisations—the method of analysing strategic change needs to be rigorously and comprehensively adept at crossing organisational boundaries and addressing a variety of stakeholder interactions in such environments. As discussed in the next chapter, these complexities build the case for using a more qualitative study, one that analyses the rich process of strategic change within and across IOs. This is the subject of the next chapter.

## CHAPTER TWO: RESEARCHING STRATEGIC CHANGE ACROSS A GLOBAL POLITICAL ISSUE AREA

In Chapter One, the concept of strategic change in international organisations (IOs) was discussed. Strategic change in IO environments has yet to be studied, and previous studies of strategy and policy processes have not captured a comprehensive, dynamic picture of strategic change in IOs. Key areas of overlap between the studies of change in the political science and management literature explain why change can occur incrementally and on a punctuated basis in organisations, given different contexts. The concept of strategic change within IOs holds promise for explaining other changes within IOs, at the level of the corporate or organisational sub-unit levels.

There are methodological problems that arise when studying strategic change in IOs. First, there is no established methodological approach to study strategic change in IOs. Many political scientists have attempted to use events-based analyses of strategy and policy activities and others have used strategic techniques as explanatory modes of outcomes.<sup>1</sup> Recently, management researchers have also investigated strategic processes by looking at core defining organisational events to explain strategy formation over time.<sup>2</sup> The current methodologies used to explain strategy and policy outputs do not capture change within a larger organisational systems over a long period of time, to explain the reasons for the divergences in outputs. Thus, a new or modified research approach was required.

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<sup>1</sup> As discussed in Chapter One, events-based approaches are episodic views of change. Baumgartner and Jones (2002) show the clearest application of events-based approaches to analyse policy outcomes. See F. Baumgartner and B. Jones (eds), *Policy Dynamics*, London, University of Chicago Press, 2002. For an application of events-based approaches to strategy analysis, see M. Barzelay and C. Campbell, *Planning for the Future: Strategic Planning in the U.S. Air Force*, Washington, D.C., Brookings Institution, 2003. For an application of strategic techniques, see J. M. Bryson, *Strategic Planning for Public and Non-Profit Organisations: A Guide to Strengthening and Sustaining Organizational Achievement*, San Francisco, Jossey-Bass Publishers, 1995. Barzelay's research approach is limited in that it captures strategy as episodic events, rather than viewing strategy as a dynamic process in organisations. Bryson's approach is also limited since it suggests that particular strategic planning techniques, such as formal Strengths, Weaknesses, Opportunities and Threats (or SWOT) analyses, ought to be used in planning process, and may even define their formation. Instead, the suggestion in this study is that strategic change in organisations is much more emergent and unplanned. The limitations of the events-based approach will be illustrated in Chapter Three.

<sup>2</sup> See, for instance, R. Grant, 'Strategic Planning in a Turbulent Environment: Evidence from the Oil and Gas Majors', *Strategic Management Journal*, 2003, Vol. 14, June 2003. While Grant compares strategy formation in a range of multinational corporations, his comparative approach simplifies the unique strategic change process that occurs in each organisation. As a result, the study fails to capture the influences of the strategic outputs and fails to address the 'why' of strategy formation.

A comprehensive study conducted over a relatively long period of time (e.g. ten year minimum) is required to capture the dynamic process of change in IOs.<sup>3</sup> If this study were undertaken during a shorter period of time (months, days or a small number of events-based episodes), the results of the study would fail to reflect the full complexity of organisational environments, events and influences within IO environments. Process-oriented research, used in management studies, is the best approach to consider the range of variables and complex processes of network-based organisations.

There is growing interest from particular management scholars in using process analyses to investigate strategic change over long periods of time. This chapter proposes a new methodology that combines certain elements of processual (or process-oriented) research to capture the breadth of strategic change processes in a variety of organisational environments. The research will be performed using a comparative case study method focused on one particular political issue area across a network of international organisations. Four IO strategic change processes will be studied over a ten-year period.

This study occurred in four stages: exploratory interviewing, literature search and case study identification; information collection and observation; information analysis; and conclusion, verification and theory building. Since little was known about IO strategic change processes at the outset of the study, the first part of this study was exploratory in nature.<sup>4</sup> As such, research questions rather than hypothesis testing were used to investigate strategic change processes. The research was guided by two overarching questions: How and why do strategic change processes occur in IOs? What affects each output of the process? Ten sub-questions were developed and used during semi-structured interviews to identify key variables that led to change.

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<sup>3</sup> A similar approach was taken by Pettigrew (1992), who analysed strategic change in the National Health Service over a minimum of a ten-year period, suggested that his study was longitudinal, or conducted over a long period of time. Many researchers of change also suggest the need for a longitudinal analysis. I suggest that this study is a longitudinal analysis of strategic change processes, since it analyses processes over a ten-year period. For further information on the use of processual analysis methods, see for instance, P. Dawson, 'In at the Deep End: Conducting Processual Research on Organisational Change', *Scandinavian Journal of Management*, 1997, Vol. 13, No. 4, pp. 289—405; A. M. Pettigrew, 'What is Processual Analysis?' *Scandinavian Journal of Management*, 1997, Vol. 13, No.4, pp. 337—348; A. H. Van de Ven, 'Suggestions for Studying Strategy Process: A Research Note', *Strategic Management Journal*, 1992, Vol. 13, (Summer, 1992), pp. 169—191.

<sup>4</sup> This is similar to the approach used by R. Grant (2003), op cit., above at n. 2 in his study of strategy processes.

To investigate these questions, the methodology used for this study combines approaches from other policy and strategy studies. It develops a qualitative, comparative case study of strategic change in IOs based on data from semi-structured and focus group interviews, observation of political events and primary and secondary documentation. The information is then analysed using system dynamics techniques to determine causal linkages in the change processes, which are defined and explained later in this chapter. The analysis built on a number of criteria identified to explain strategic change processes in other organisational environments. The triangulation of information collection and analysis techniques applied to this study should enable a researcher to capture a more comprehensive picture of a strategic change process.

The intention of this study is not to produce grand theories on strategic change in IOs, but instead to provide a more grounded and complex analysis of strategic change processes. This study is intended to be a starting point for future investigations of strategic change in IOs. This study will focus on the creation of semi-grounded theories based on a small number of case studies.<sup>5</sup> The study moves beyond analyses of policy events and strategy techniques alone,<sup>6</sup> and builds a more comprehensive model of strategic change in IOs. It delves into the underlying IO strategy and policy processes, with an aim to increase the amount of empirical analysis on strategic change in organisations.

This chapter outlines the methodological approach for this study. It is divided into four sections. The first section explains why comparative case studies were selected to investigate research questions on strategic change processes in complex organisational environments. The second section explains the triangular methodology applied: the review of primary and secondary documentation; the use of semi-structured interviewing (both at the individual level and within focus groups); and observation of political negotiations and multi-stakeholder dialogues related to global forest issues. The third

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<sup>5</sup> Semi-grounded theory is a technique developed by Strauss and Corbin (1990). It uses portions of existing theory and expands on a particular facet of it using empirical data. See A. L. Strauss and J. Corbin, *Basics of Qualitative Research: Grounded Theory Procedures and Techniques*, London, Sage Publications, 1990.

<sup>6</sup> While public management studies explore events-based analysis of strategy formation in public agendas, other researchers of strategy caution that events-based analyses fail to capture the dynamic underlying process of change. Seeing strategy and policy formation as part of a larger 'system' should help overcome such a limitation. As discussed in P. Senge, 'The Leader's New Work: Building Learning Organisations', in H. Mintzberg, J. Lampel, J. Quinn and S. Ghoshal, *The Strategy Process: Concepts, Context and Cases*, New Jersey, Pearson Education, 2003, pp. 65—66.



section explains the applicability of system dynamics models as a way to interpret strategy and policy processes and the variables selected to explain strategic change in each organisation. The fourth section provides an overview of the information analysis procedures using system dynamics techniques. The practicalities, outcomes, and limitations of implementing the research methodology are also presented. The first part of the method, using comparative case studies, is discussed below.

## 2.1 USING CASE STUDIES IN QUALITATIVE RESEARCH

Case studies can be used to establish an analytic generalization about a contemporary phenomenon where the phenomenon and context are not clearly evident.<sup>7</sup> Case studies enable researchers to explain, describe, illustrate, explore, or evaluate processes.<sup>8</sup> The initial stage of this research project was exploratory, since little was known about strategic change processes.

Case studies are a holistic way to include all the various contexts in understanding strategic change in IOs. Ragin (1987) notes that because case studies are holistic and causation is understood conjecturally, it is possible for researchers to interpret cases historically and make statements about the origins of important qualitative changes in specific settings.<sup>9</sup> The application of case study research has been growing in the social sciences,<sup>10</sup> although it has been argued that many case studies do not go into enough analytical depth for academic studies because of their highly qualitative and idiographic nature.<sup>11</sup>

In light of such criticisms, strategies have been devised to counteract these critiques. Miles and Huberman (1984) suggest using a variety of techniques to facilitate

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<sup>7</sup> R. Yin, *Case Study Research: Design and Methods*, Third Edition, Applied Social Research Methods Series, London, Sage Publications, 2003.

<sup>8</sup> Yin (2003), op cit., above at n. 8, at 15.

<sup>9</sup> C. Ragin, *The Comparative Method: Moving Beyond Qualitative and Quantitative Strategies*, London, University of California Press, 1987, at x. Ragin uses Boolean analysis to compare data and variables that lead to causality across cases. While this is an alternative to multivariate statistical analysis, the cases in this thesis are unique and exploratory. Using processual research techniques, the number of variables within each organisational system is expected to be wide-ranging and offer limited explanations of comparable strategy and policy processes.

<sup>10</sup> For clear models of case study application in the social sciences see: G. T. Allison and P. Zelikow, *Essence of Decision: Explaining the Cuban Missile Crisis*, Second Edition, New York: Addison Wesley Longman, 1999; D. Vaughan, *The Challenge Launch Decision: Risky Technology, Culture, and Deviance at NASA*, Chicago, University of Chicago Press, 1996; P. Selznick, *TVA and the Grass Roots: A Study of Politics and Organization*, Berkeley, University of California Press, 1980; W. F. Whyte, *Street Corner Society: The Social Structure of an Italian Slum*, Chicago, University of Chicago Press, 1955.

<sup>11</sup> As stated in R. Yin (2003), op cit., above at n. 8.

information analysis, including matrices, to help overcome the perceived lack of analytical depth of qualitative case study research.<sup>12</sup> Ragin (1987) notes that the qualitative nature of case studies is a strength, since quantitative analysis cannot always capture the large number of variables associated with some studies. Qualitative case studies can capture highly complex environments, where a clear tested set of variables cannot be identified.

Due to the complexity of the environments studied in this thesis, a small number of case studies were selected. Therefore, the comparative case study was employed, allowing for broader comparability among cases at the macro-level. Each IO was analysed as a discrete unit with unique internal and external characteristics, but one that interacted with similar organisations and stakeholders in the same network.

If the cases are examined on a macro-level, Ragin suggests that this should be done by examining system-level variables to explain variations 'across and within system relationships'.<sup>13</sup> The IOs selected for the research were immersed in a cooperative network focused on one issue area. Variables leading to strategic change outputs were identified at the system-level. Each IO strategic change process was different, and a small number of case studies were selected to investigate the divergences between the overall strategic changes. While some initial variables were established to ensure comparability among data collection and analysis, other variables were added during the analysis stage, as not all variables could be identified beforehand.

The resultant case study approach reflected the single case study process noted by Yin (2003). The stages for this study are outlined below:

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<sup>12</sup> M. B. Miles and A. M. Huberman (eds), *Qualitative Data Analysis: A Sourcebook of New Methods*, London, Sage Publications, 1984.

<sup>13</sup> Ragin (1987), *op cit.*, above at n. 10, at 4.

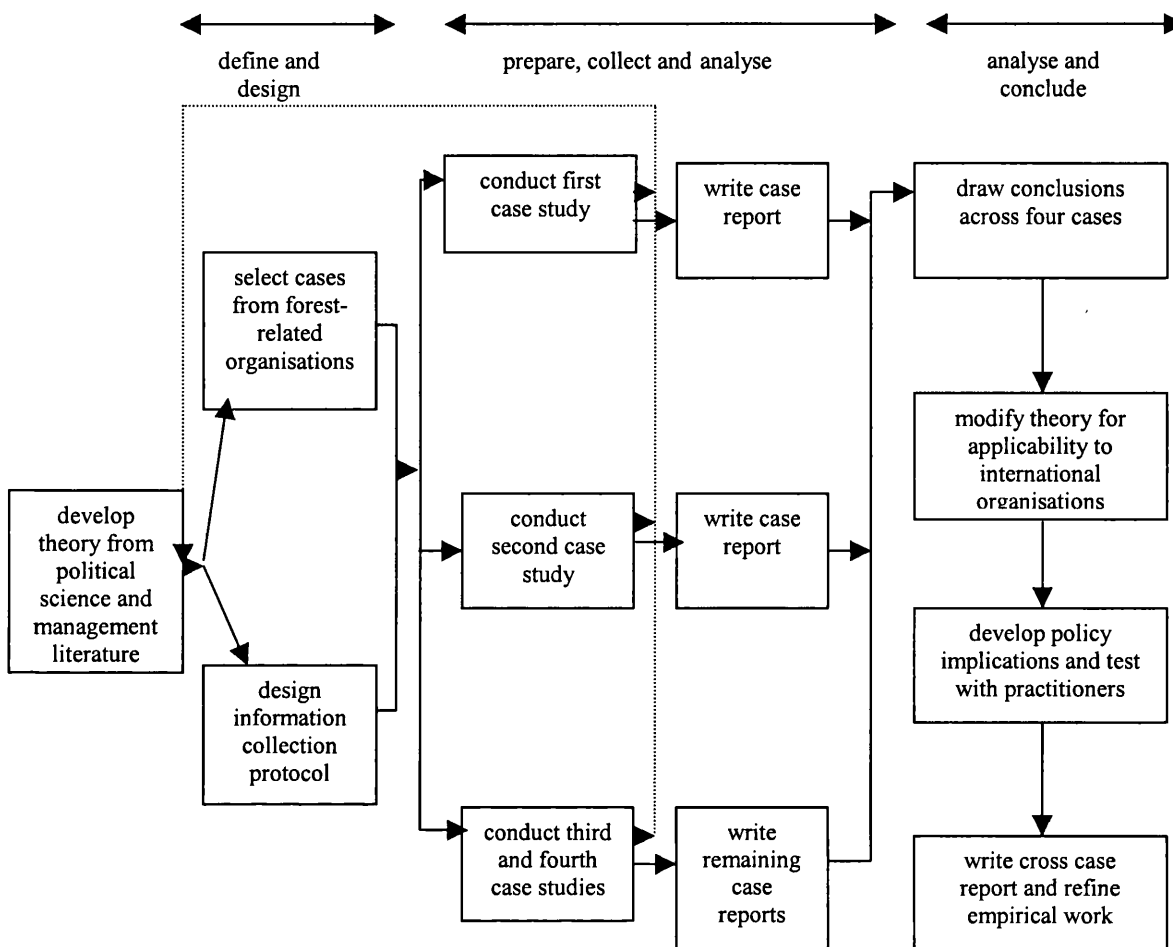


Figure 2.1 Adapted case study method (from Yin, 2003)<sup>14</sup>

The above diagram captures the steps necessary to implement the comparative case study method. After reviewing the theory related to strategic change in IOs, the following process began: selecting case studies; designing data collection and change criteria; conducting each of the four case studies; analysing the empirical data and refining the theoretical foundations; and testing and modifying the findings to write the final thesis. Each of these stages is examined below. While these stages should not be viewed in a linear manner, as certain case studies were conducted simultaneously with others, it is a general representation of the approach used for this research.

### ***Selection of Case Studies***

When applying the comparative method, the same unit of analysis must be maintained across all selected case studies.<sup>15</sup> Although case studies are contained within a broader system, specifically within the IOs part of a collaborative forest issues network, the unit

<sup>14</sup> Adapted from Yin (2003), op cit., above at n. 8, at 50.

<sup>15</sup> Ragin (1987), op cit., above at n. 10.

of analysis is the organisational level. The specific context chosen is forests and forest-related organisations. In selecting cases for this study, all of the organisations selected had recently undergone an organisational, programme, or operational change relevant to the forest sector during the period May 1994—May 2005.

This specific ten-year period is examined because it represents a period when significant activity was taking place in the global forest arena, which culminated in series of major political events at the end of a fifteen-year process.<sup>16</sup> Although the broader behaviour of the system is examined in the twenty-year period, mid-1984 until mid-2005, it is necessary to explore specific strategic events in a ten-year period, because a steep increase in strategic activity on forest issues in the international arena occurred after the Rio Summit in 1992. This included negotiations on an overarching forest convention, which some argue drove programme, project and policy activity in IOs responsible for forest-related work.<sup>17</sup>

Case studies were selected from the IOs conducting forest-related work over this latter ten-year period. While there were a range of strategic activities in each of these organisations, comparability among the selected unit of analysis – network-based IOs – was required. Initial organisations were selected as possible case studies if they had similar structural compositions, budget and administrative guidelines, stakeholder participants, and interactions in the same issue area.

Based on these characteristics, six multilateral organisations were suitable for preliminary investigation. These were: the World Bank; the Food and Agriculture Organization (FAO); the International Tropical Timber Organization (ITTO); the Convention on Biological Diversity (CBD); the UN Forum on Forests (UNFF); and the Centre for International Forest Research (CIFOR). Of these organisations, four were selected for the final study. The CBD was omitted, since there was an ongoing global policy debate at the time this research started as to how forests would be included in its biodiversity-related programmatic work, and its one strategic change (in 2002) pertained only to forest biodiversity. Thus, work on a range of forest issues was not present in this organisation. Secondly, CIFOR's organisational strategy, while innovative, was not a

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<sup>16</sup> The specific issue area analysed in this study, forests, will be explained in detail in Chapter Three, to explain the significance of the 1992—2006 time frame.

<sup>17</sup> This perception and the various activities will be explained in the next chapter on forests.

primary driver of programmatic work on forests. CIFOR, as opposed to the other five IOs, played more of a supportive, research-oriented role in programmatic design and implementation.<sup>18</sup>

The four final case studies selected each had a distinct process used to develop global forest policy and strategy outputs. Their organisational designs were largely dependent on their mandates and formed in a post-1950s management environment. The resultant structures of these organisations were of a modified bureaucratic design. Their budgets were similarly designed, in that each organisation was highly dependent on financial contributions from its member states. Each organisation also had many similar stakeholders present during their policy and technical events. Additionally, each of these organisations cooperated with other forest organisations within a network called the Collaborative Partnership on Forests.

However, each organisation was also slightly different in a number of respects. Firstly, the size and structure of each organisation varied according to the number of employees. Second, there was little consistency among the organisations about which stakeholders were involved during the organisational strategic processes and the type of governance mechanisms used for inclusion of non-member states. Third, each organisation had different institutional bodies, such as organisational 'Executive Boards', 'councils', 'forums', or 'committees'. Fourth, each organisation focused on a particular type of a global forest work (e.g. projects or technical assistance), so there was limited duplication of substantive work in the system as a whole. Finally, the leadership in the organisation or the strategic change initiators differed among the organisations.

Such variation among the cases had an influence on the criteria for determining the type of strategic change. Two cases of punctuated change (one operational and one programmatic), one case of incremental change, and one case of regressive change resulted from the four strategic change processes (see Figure 2.2 below).<sup>19</sup> However, it was not known if specific variables such as leadership were the cause of the divergent

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<sup>18</sup> For a further discussion of specific programmatic activities under CIFOR and the CBD, see Chapter Three, as well as [www.cifor.org](http://www.cifor.org) and [www.cbd.org](http://www.cbd.org)

<sup>19</sup> Instances of what forest practitioners, diplomats and IO staff considered as policy, strategy, process or organisational failures were grouped under the new category, regressive change. Interviewees did not base this on formal negotiation processes within institutions, but rather were asked about the process and organisational involvement leading to the regressive change outcome.

processes and outputs at the outset of the investigation. Thus, a study of each process of strategic change was undertaken.

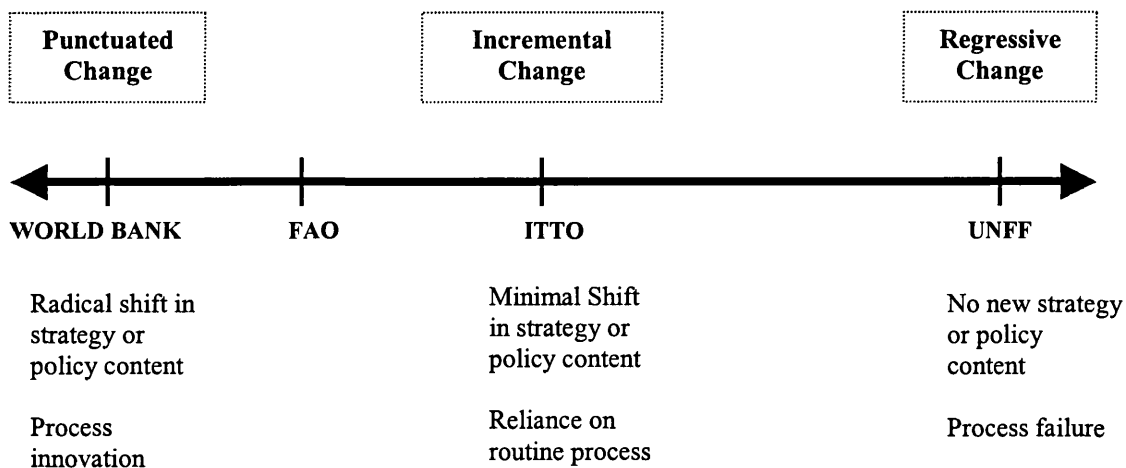


Figure 2b: Continuum of strategic change in four forest-related IOs (source: the author)

The continuum above presents the types of each strategic change process studied in this thesis. The above four case studies reveal substantial differences in process and content outcomes. The information collection phase of the thesis attempts to reveal the ideas, trade offs and politics involved to create punctuated versus incremental or regressive changes in the organisations. Each IO strategic change process is initially analysed within separate chapters of this thesis.

A comprehensive and comparative approach was necessary to analyse case study information.<sup>20</sup> The comparative analysis of the case studies is contained in Chapter Eight of this thesis. Common themes emerged from the information from the case studies. These included: clear reasons for selecting policy versus strategy as a tool for initiating change; decentralised and participatory approaches that emerged from new strategic processes; new communication patterns within organisations that formed as a result of strategic problem-solving; and information feedback loops that were established based on outreach to non-member states, some of which had a transformational effect on the organisation. Analysing the rich strategic change process within each case study helped identify these common themes.

<sup>20</sup> For instance, C. Ragin (1987), op cit., above at n. 10, uses qualitative comparative case study methods that include Boolean analysis; M. Barzelay and C. Campbell (2003), op cit., above at n. 1, apply a chronological and events-based analysis; R.Yin (2003), op cit., above at n. 8, uses organisational and programme logic models.

### *Conducting Processual Analyses in Case Study Research*

The term process has been described by Van de Ven (1992) as a 'sequence of events that describes how things change over time'.<sup>21</sup> It should be noted, however, that a process does not by definition lead to a change. As will be seen in the empirical studies, most IO member states, due to the historical precedent set by UN organisations, rely on forum-type events to form strategic change outputs. Such a perception that forum-type processes must lead to a change outcome may negatively affect the strategic change output and eventually the IO. However, there are other types of processes in organisations, which do not always lead to change and are not based on events alone.

While Van de Ven's term 'process' is a useful starting point, process analyses are much more than events-based analyses. Process analyses capture a range of factors in organisational settings to reveal the causal mechanisms of strategic change. Process analyses are mostly a European approach to investigating strategic change, and based on historical trends and organisational context.<sup>22</sup> However, this approach has not always been the dominant one for studying strategy and policy in organisational settings.

In the 1990s, the focus of studies on strategy emphasised content rather than process analysis.<sup>23</sup> Strategy content analyses were seen as providing insights into the formation of strategy, providing the why and how of strategic planning in private sector organisations. In the late 1990s, however, process analyses were used for many studies of strategy, although little empirical research still exists by way of strategic process formation.<sup>24</sup> Process-oriented analyses allow the researcher to capture a range of factors that influence outcomes of the strategic process, especially when the issue area is highly complex and political.

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<sup>21</sup> A. H. Van de Ven, 'Suggestions for Studying Strategy Process: A Research Note', *Strategic Management Journal*, 1992, Vol. 13, (Summer, 1992), pp. 169—191.

<sup>22</sup> Dawson (1997), op cit., above at n. 3. Pettigrew (1992) notes the importance of examining the interplay between the content, process and context of change. Pettigrew notes there are inner (e.g. policy processes of organisations) and outer (e.g. changing national political economies) contexts that need to be considered. In this study, inner and outer contexts are referred to as inner and outer organisational environments. Pettigrew notes that 'the analytical challenge is to connect up the content, context and process of change over time to explain differential achievements of change objectives'. A. Pettigrew, E. Ferlie and L. McKee, *Shaping Strategic Change: Making Change in Large Organizations*, London: Sage Publications, 1992, at 6—9.

<sup>23</sup> See discussion in Grant (2003), op cit., above at n. 2.

<sup>24</sup> Ibid.

Similarly, policy researchers began to understand the importance of analysing the process rather than only the content of policy.<sup>25</sup> As discussed in Chapter One, previous studies of strategic change were based on decision-making or events-based analyses alone. These studies did not capture the comprehensive nature of change in the entire organisational system or sub-system. Additionally, policy processes in IOs need move beyond actor and event-based analyses. While Reinalda and Verbeek's (2004) study on IO decision-making presents a useful starting point to conduct process-based analyses, a more comprehensive approach must be used to capture the complexities of organisational environments and their outputs.<sup>26</sup>

Pettigrew (1997) elaborates on the methods for conducting process-oriented research by using five guiding assumptions:

- 1) embeddedness, studying processes across a number of levels of analysis;
- 2) temporal interconnectedness, studying processes in past, present and future time;
- 3) a role in explanation for context and action;
- 4) a search for holistic rather than linear explanations of process; and
- 5) a need to link process analysis to the location and explanation of outcomes.<sup>27</sup>

Pettigrew demonstrated this type of approach in his 1992 study of strategic change in the NHS. While some have criticised the use of process-based analyses,<sup>28</sup> no other research approach fully considers the breadth of strategic processes within organisations.

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<sup>25</sup> However, these studies are mostly process-oriented decision-making analyses of policy.

<sup>26</sup> Some experts suggest that policy outcome analyses were limited by variables that did not capture the rich process-policy interaction to explain them. See, for instance, W. B. Shepard and R. Kenneth Godwin, 'Policy and Process: A Study of Interaction', *The Journal of Politics*, 1975, Vol. 37, No. 2 (May 1975), pp. 576—582. Reinalda and Verbeek's (2004) text captures a richer process of policy outcomes, using feedback mechanisms as explanatory modes for changes in policy; however, it is limited in that it only considers the actors involved in the decision-making processes and does not consider the many structural, cultural and other environmental variables that have an impact on policy processes. See B. Reinalda and B. Verbeek (eds), *Decision Making Within International Organizations*, London: Routledge, 2004.

<sup>27</sup> Pettigrew (1997), above at n. 3, at 340.

<sup>28</sup> While there is rich theoretical and empirical research using processual analysis, critics note that processual analysis moves quickly to prescriptive managerialism, and critical theory and postmodern insights need to be considered to better understand strategic management. For a further discussion on this critique, see D. Levy, M. Alvesson, and H. Willmott, 'Critical Approaches to Strategic Management', paper presented at the Critical Management Studies Conference 2001, 11-13 July 2001, hosted by Manchester School of Management, UMIST, England, available at <<http://www.mnngt.waikato.ac.nz/research/ejrot/cmsconference/2001/Papers/Strategy/Levy.pdf>> .



To capture IO strategic change using process analysis, a qualitative approach was taken, as it seemed to appropriately capture the above elements. When using quantitative techniques, the flexibility of the research approach is limited due to the construction of hypotheses and the selection of variables.<sup>29</sup> As this was an exploratory and explanatory research approach where little previous empiricism existed, qualitative rather than quantitative techniques were used to fully understand the processes within the organisational context. Since the study was more qualitative and dependent more on information gathering rather than hard data, the term ‘information’ rather than ‘data’ is used throughout the rest of the chapter.

## 2.2 TRIANGULATION OF INFORMATION COLLECTION TECHNIQUES

There is no tested and established methodology for research on strategic change in IOs. To capture the breadth of information about strategic change in IOs using qualitative, process-oriented analyses, a triangulation of methods was used: observation of political events, such as negotiation of policy documents; interviews, both at the individual and group level; and review of primary and secondary documentation related to the policy and strategy processes. This process is illustrated below in Figure 2.3:

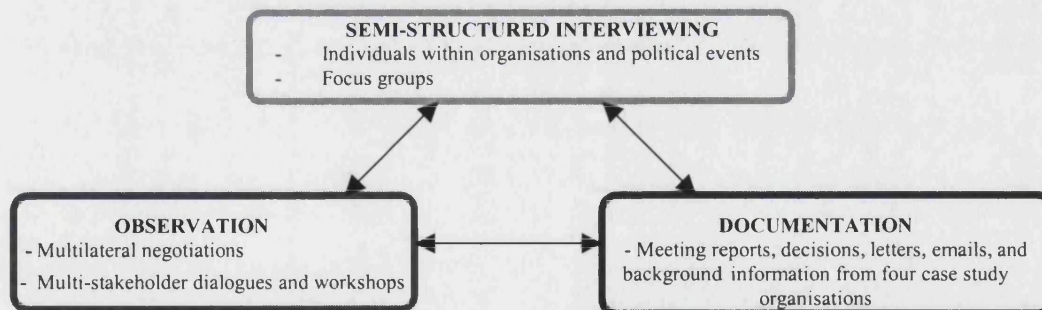


Figure 2.3 The triangular methodology utilised in ‘Explaining Strategic Change in International Organisations’ (source: the author)

A triangulation of methodological approaches is applied to generate complementary information among cases and fill gaps where information could not be gathered by employing one particular research technique. Three approaches, observation, semi-structured interviewing and documentation review, were used to enable a holistic analysis of each case study. Each approach is briefly discussed below.

<sup>29</sup> See J. Mason, *Qualitative Researching*, London, Sage, 1996.

### ***Primary and Secondary Documentation***

In collecting primary and secondary documentation, information documents on each organisational strategy and policy was obtained. Secondly, any supplemental information on the context of the change process was gathered, which included information on organisational leadership changes, new member state admission to IOs, and major external organisational events such as large-scale regional forest fires. This was found in correspondence on the various iterations of the strategies and policies: emails concerning the strategy and policy processes; other letters and communication between actors in the strategy process; and notes and presentations during organisational workshops. These documents were collected based on access given by key actors, usually departmental heads, in the organisations studied. Other materials were collected during international meetings where such documentation was readily available.

At minimum, the following documents were collected within all organisations: the final strategy document, the decisions initiating the strategic change processes, background documentation circulated during the strategic process and reports related to IO strategy or policy meetings, and as many communications from governments or other stakeholders on a particular iteration of the draft documents. At first, these documents were analysed for new ideas, radical shifts in policy and strategy content, time frame of the strategy or policy formation and level of internal and external organisational actor involvement, to understand the areas of major shifts from previous policies and strategies. Then, common themes among the processes, textual and verbal indicators of key factors in each change process and the formation approach and timing of the processes were identified. These findings were complemented by information obtained about the unique strategic change processes, from semi-structured interviews and observation of international meetings, negotiations, or workshops on forest issues.

### ***Semi-Structured Interviews***

Semi-structured interview techniques are often used in qualitative researching.<sup>30</sup> The use of interviewing can help uncover biases, bring new thematic information to light, corroborate facts uncovered in documentation or from other interviewees, and interpret

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<sup>30</sup> See Mason (1996), op cit., above at n. 30; Yin (2003), op cit., above at n. 8; and R. A. Krueger, *Focus Groups: A Practical Guide for Applied Research*, Second Edition, London, Sage Publications, 1994.

events in the strategy formation process. Semi-structured interviews can be performed over the telephone, face-to-face, in a group, or over the Internet.<sup>31</sup>

The semi-structured interview approach rather than structured interviewing was selected for this study. Structured interviewing would not have allowed the flexibility needed to understand a fluid practice such as strategic change in an organisation, especially because everything about each strategic change process was not known at the outset of the study. Personal accounts from actors involved in the processes helped complement and fill gaps in information obtained about each strategic change process. Therefore, the interviews were more exploratory and rooted in semi-structured techniques.

In this study, 66 individual interviews and one focus group interview were conducted using semi-structured techniques. In total, 60 interviewees were asked about IO strategy and policy processes from May 1994—May 2005.<sup>32</sup> There were certain interviewees that were not comfortable with a tape recording or computer transcription of the interviews.<sup>33</sup> Since some of the issues were highly political in nature, certain interviewees asked not to be directly quoted in the document. As a result, semi-structured interviews were approached and recorded in different ways, to take into account interviewees' sensitivities. Specific quotations were used anonymously where permission was granted, or used for background information only.<sup>34</sup>

Two kinds of semi-structured interviews were conducted: focus group and individual interviews. Focus groups are an alternative to individual interviewing and can involve a large or small number of people being interviewed at the same time. The objective is to establish an informal environment in which participants can discuss a particular topic relevant to the research. As Krueger (1994) notes, focus groups should help obtain qualitative information from a limited number of people, which work better with smaller

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<sup>31</sup> Mason (1996), *op cit.*, above at n. 30.

<sup>32</sup> This total number includes attendees during focus group and individual interviews (not observations).

<sup>33</sup> Alternative methods were used if an interviewee expressed discomfort with the tape recording or transcription approach. Instead, handwritten notes were taken during these semi-structured interviews. These conversations are reflected as 'notes' or 'informal meetings' in this study, and the respondent's name is not attributed to their comments used in the work.

<sup>34</sup> According to research ethics (see, for instance, J. Mason (1996), *op cit.*, above at n. 30), permission must be obtained from the interviewee as to whether the interview can be tape recorded and their comments attributed in the empirical work. Before each interview began, the researcher asked for such permission and for the respondent to specify how their information should be included in the report. Most respondents in this study agreed to have their non-attributed interview contents included in the study.

groups of five to seven people than with a larger set.<sup>35</sup> Especially when investigating strategic processes in IOs, the number of actors that participate in any one process is diverse and the actors may have divergent perceptions about the strategy and policy processes. As a result, focus groups were a way to gather a group of diverse individuals, in this case non-governmental actors, to discuss the topic of strategic change in forest-related organisations for about an hour each and in informal non-organisational sponsored settings.<sup>36</sup>

Individual interviews were required to fill gaps in information collected from organisational documentation to interpret and explain strategy events, and to explore in detail specific circumstances under which strategies were created. Individual interviews, rather than focus groups, were conducted to explore the processes according to internal IO actors and their member states, so that professionals working alongside one another on a daily basis would not limit frank discussion of the issues.<sup>37</sup> Each interview was conducted for an average of an hour, were held in the interviewees' office space or a quiet conference space, and similar themes were used as guidelines in all the interview questions in order to ensure comparable information across cases.<sup>38</sup>

The respondents selected for individual and the focus group interview were identified based their active attendance in organisational-related meetings, which were reflected in organisational documentation. Others were identified through initial interviewees.<sup>39</sup> The

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<sup>35</sup> The drawbacks of using a small number of participants in focus groups are that it limits the different number of experiences (and therefore data) related to the topic discussed. See Krueger (1994), *op cit.*, above at n. 31, at 79. Krueger suggests that focus groups, although utilised typically by market researchers in the private sector, can also be used in the public sector when: monies for research are limited; there is a communication or understanding gap between groups or categories of people; the clients or intended audience place high value on capturing the open-ended comments of the target audience; the topic of inquiry is complex; various stakeholders typically hold diverse perceptions on critical areas of concern; and decision makers are diverse and non-specific'. *Ibid.*, at viii and 44. Nevertheless, focus groups proved to be useful when time was short for interviews, and helped facilitate the creation of new ideas and a richer qualitative information from stakeholder discussions.

<sup>36</sup> Krueger (1994), *op cit.*, above at n. 31, at 83. It was clear that even in the first attempt at implementing the use of a focus group to collect information, participants slightly influenced each other's beliefs about specific topics and influenced the tone of the discussion. Perhaps more importantly, however, the informal environment established assisted in the frank discussion and questioning of a number of strategy processes and past and present approaches of the participants in multilateral meetings and negotiations. The focus group session was 'piggybacked' off a particular event held during a major international meeting.

<sup>37</sup> The researcher wanted to avoid the possibility that 'group-think', organisational culture or hierarchy would influence organisational staff interviews. These influences would have had a great chance of biasing interviews, as most of the interviewees would have had an established relationship with others in the same organisation.

<sup>38</sup> In March 2003, a pilot test of interviewing techniques and questions was conducted at the World Bank.

<sup>39</sup> Mason (1996), *op cit.*, above at n. 30, notes that this reflects a 'snowballing' technique used during semi-structured interviews to identify other possible interviewees involved in the processes studies.

final part of this information collecting approach explains the importance of observation of events and forum activities for analysing strategic change processes.

### ***Observation***

At minimum, two on-site visits were conducted in each of the four organisations. Site visits consisted of obtaining documentation about the strategic change processes, conducting interviews, observing related meetings, and observing organisational settings. These visits were performed over a period of a week each. In addition, IO multilateral forest-related events were attended, to follow up with organisational actors involved in the processes studied, examine their political behaviour in a variety of organisational and non-organisational settings, obtain a richer set of data about the strategic change process, and interview other external stakeholder participants.<sup>40</sup>

Observation within organisational settings and political events, when performed over a three-year period, provided a more comprehensive picture of the 'system' in which strategic change was occurring. It is believed that participant-observation is not restricted to static cross-sectional information but allows real study of social processes and complex interdependences in social systems.<sup>41</sup> McCall and Simmons (1969) note that direct observation of such systems is required when conducting organisational research, since 'complex social organisations are viewed as latent organisations- largely unintended and unrecognized by the members themselves- and therefore not apparent or describable by members'.<sup>42</sup> Although participant observation for strategic change processes were done where feasible, it was not possible to observe the formation of all the processes. Nevertheless, many of the actors were involved with the forest-process events during the time of the research. Thus, interviews with these individuals were held after observing forest events, which complemented information obtained from event observations and documentation analysis.

The complementarity between the three research collection methods allowed the researcher to gather information to assess the content, context and process of change across a system of organisations. As discussed in Chapter One, a larger system, in which organisations are network-based, is examined to capture the complete strategic change

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<sup>40</sup> In this case, the indirect participant approach was used, so as not to influence the ongoing strategic change outcomes related to the research.

<sup>41</sup> J. G. McCall and J. L. Simmons (eds), *Issues in Participant Observation: A Text and Reader*, Reading, Mass., Addison-Wesley, 1969, at 2.

<sup>42</sup> McCall and Simmons (1969), *op cit.*, above at n. 42, at 2—3.

process within internal and external organisational environments. The information collected from this system was then analysed using operational research techniques drawn from system dynamics. Key themes and variables were identified to develop causal linkages formed during the strategy and policy processes. The significance of collecting information within a system and conducting analyses using system dynamics is explored below.

### **2.3 INFORMATION ANALYSIS USING SYSTEM DYNAMICS AND IDENTIFYING VARIABLES FOR STRATEGIC CHANGE**

The analysis of the data gathered for this study will be approached differently than other comparative case study methods in the fields of policy and strategy analysis. Since the data captures the behaviour of a larger system, one that addresses the actions of both actors and structures within processes, a method for addressing these separate components must be addressed in a comprehensive way. As such, research on systems of organisations has previously applied techniques in the field of system dynamics to explain change processes.

#### ***System Dynamics as an explanatory tool***

System dynamics has been of growing interest in the organisational theory field, but it has historical roots in industrial organisational theory since the 1960s. System dynamics helps to structure problems and evaluate the effects of feedback in organisations. Early system dynamics theory was formulated by Jay Forrester (1961) in his seminal work *Industrial Dynamics*.<sup>43</sup> The basis for system dynamics is industrial dynamics, ‘the study of the information-feedback characteristics of industrial activity to show how organisational structure, amplification (in policies), and time delays (in decisions and actions) interact to influence the success of the enterprise; it treats the interactions between the flows of information, money, orders, materials, personnel, and capital equipment in a company, an industry, or a national economy’.<sup>44</sup> Since Forrester’s study, system dynamics has been used to analyse dynamic processes from population growth to stock replenishment in industrial warehouses.

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<sup>43</sup> Forrester notes that industrial dynamics ‘industrial dynamics recognizes the critical importance of this information network in giving the system its own dynamic characteristics. The approach is one of building models of companies and industries to determine how information and policy create the character of the organization’. J. Forrester, *Industrial Dynamics*, Cambridge, MA, the MIT Press, 1961, at vii.

<sup>44</sup> Forrester (1961), op cit., above at n. 44.

System dynamics is different from systems thinking<sup>45</sup> and helps explain change processes in organizations. The system dynamics approach is useful to understand non-linear problem solving in contemporary organisational systems, as many contemporary organisations that exist today are structured as industrial-type organisations and have not undergone major restructuring.<sup>46</sup> Roberts et al (1983) explain the relevance of the system dynamics perspective, noting its particular usefulness in interpreting ‘cause-and-effect thinking with causal-loop diagrams (CLDs); feedback relationships; and system boundary definitions’.<sup>47</sup>

The behaviour of non-linear systems has led a number of researchers to investigate change processes using complexity theory. This study will use concepts from complexity theory to elucidate the change processes in a number of ways. These ways include, it: takes into account feedback processes that occur in multilateral organisations in 21<sup>st</sup> century environments; builds on critical theory to describe the role of suspended structures that influence strategic outcomes; and helps the investigator to map complex processes under high conditions of uncertainty. The application of complexity theory is relevant to explaining ways organisational systems overcome inertial forces and why new organisational change initiatives are often times limited in their effect because of the prevailing organisational structures.

However, as noted in Chapter One, a full theoretical application of complexity theory to explaining strategic change is not yet feasible. As Anderson argues, if organisations are to be analysed using complexity theory, pattern of interconnections between agents and not variables needs to be analysed in a larger system.<sup>48</sup> He notes, however, that greater progress in the complexity science field needs to be built up before organisation theory is obsolete.

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<sup>45</sup> For an overview of systems thinking, see D. Sherwood, *Seeing the Forest for the Trees: A Manager's Guide to Applying Systems Thinking*, London, Nicholas Brealey Publishing, 2002.

<sup>46</sup> C. Perrow, *Complex Organizations: A critical essay*, Third Edition, London: McGrawHill, 1986, and J. Forrester (1961), op cit., above at n. 44, emphasize the importance of linearity to facilitate predictability of planning. As will be explained, many IOs' structure is a limitation in coping with contemporary events and ability to change. The modification of certain IO structures during or as a result of the strategic change process had an impact on its capacity to change. In other words, industrial organisations emphasize efficiency and linearity for maintaining stronger control of the organisational system and to facilitate better planning. This was presented in Chapter One.

<sup>47</sup> N. Roberts, D. Andersen, R. Deal, M. Garett and W. Shaffer, *Introduction to Computer Simulation: A system dynamics modelling approach*, London, Addison-Wesley Publishing, 1983, at 1.

<sup>48</sup> See P. Anderson, ‘Complexity Theory and Organisation Science’, *Organisation Science*, 1999, Vol. 10, No. 3, Special Issue: Application of Complexity Theory to Organisation Science (May-Jun, 1999), pp. 216—232, at 222.

Organisation science draws on system dynamics in the private sector to help predict outcomes and for decision makers to make informed policy choices to change organisational policy behaviour. Richardson and Pugh (1981) highlight the usefulness of system dynamics in making policy choices and interventions in a system.<sup>49</sup> Taking from physics, they explain how inertia in a system can help maintain existing system behaviour or how it can overtake inertial forces to achieve a system's goal seeking behaviour, which is the equilibrium point that the system seeks to approach.<sup>50</sup> Yet, systems, according to Roberts et al (1981), never stay at the equilibrium point for long periods of time. This was the point raised by Easton (1965) in his early work on political systems, which suggests that 'persistence' (that is, maintaining a common state to serve one's interests) rather than equilibrium in a system exists.<sup>51</sup>

The change processes within a given system is key to understanding how or if organisations reach equilibrium. The way in which to analyse how a system moves toward equilibrium (or in this thesis, experiences periods of stability) is through examining the feedback behaviours within the strategic change processes. While the basic distinction between positive and negative feedback behaviour were explained in Chapter One, a more thorough discussion is required here, as the specific feedback behaviours in each strategic change process will be modelled according to the data gathered in the case studies.

The general debates of this study provide for limited engagement with system dynamics. Thus, the researcher determined it was not necessary to become fully trained in system dynamics techniques, but learned only the applicable components of system dynamics as they were relevant to the thesis. Specifically, the building of CLDs, as a system dynamics technique, was learned to explain system behaviour.<sup>52</sup>

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<sup>49</sup> Roberts et al (1983), op cit., above at n. 48.

<sup>50</sup> I noted earlier in Chapter One and the Introduction that periods of stability, rather than equilibrium, would be used to explain when the organisation was not undergoing strategic change. I do not suggest that an equilibrium state per se in IOs has been, can be or should be achieved.

<sup>51</sup> G. D. Garson, *Political Science Methods*, Boston, Holbrook Press, 1976, at 70. Parsons also noted that goal-seeking behaviour was value driven, and this study will explore how value driven behaviour influences the creation of goals in international organisations.

<sup>52</sup> Glover et al (1992) note the psychological effects of visual content on learning and intelligence. They suggest that 'systems which represent concepts in a variety of visual and auditory ways improve learning and memory and thereby enhance our cognitive processes, ...[which is] an ideal tool for increasing the ability to grasp critical problem features and to reason more effectively about the domains to which it is applied'. F. Glover, D. Klingman, and N.V. Phillips, *Network Models in Optimization and Their Applications in Practice*, New York, John Wiley and Sons, 1992, at viii-ix.



CLDs are ‘an illustration using words or short phrases and arrows to show the pattern of influence between elements’.<sup>53</sup> CLDs account for delays, instances of positive or negative feedback in the system and key factors shaping the system behaviour.<sup>54</sup> Through CLDs, researchers can determine the causal linkages within systems and identify key variables that led to certain outcomes. Thus, the process of causal-loop analysis was performed to construct the CLDs and explain strategic change in IOs.<sup>55</sup>

To show the interconnections of the CLDs, flow diagrams will be used to show the relationships among variables in a system.<sup>56</sup> The variables selected for this study were initially based on other studies of strategic change and more were added as information about the process increased during the exploratory phase of the research. Thus, the researcher was not necessarily testing existing variables, but was building on existing findings in a more exploratory way.

Initially, variables explaining the strategic change process were identified to account for the strategic change process in IOs. These included: quality and coherence of policy; availability of key people leading change; supportive organisational culture;<sup>57</sup> performance gaps; governance gaps; effective managerial-field level relations; cooperative inter-organisational networks; simplicity and clarity of goals and priorities; and fit between the organisational change agenda and its locale.<sup>58</sup> Each of these variables was identified and documented using codes in the interviews, documentation and notes on observations of political events. Codes were based on the variables leading to strategic change, and they were modelled using CLDs in each case study. To compare

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<sup>53</sup> Roberts et al (1983), op cit., above at n. 48, at 449.

<sup>54</sup> Sastry (1997), taking from Weick’s 1979 work on social psychology, uses a positive sign ‘to indicate that a change in one variable causes a change in the same direction and in the effected variable’ and a negative sign, ‘where an increase in one variable causes a decrease in the affected variable’. M. A. Sastry, ‘Problems and Paradoxes in a Model of Punctuated Organizational Change’ *Administrative Science Quarterly*, 1997, Vol. 42, pp. 237—275, at 242.

<sup>55</sup> ‘Causal-loop analysis’ is ‘selecting from a situation description a perspective, time frame, problematic behaviour, and policy choice(s) and from them constructing a causal-loop diagram that is consistent with the problem behaviour’. Roberts et al (1983), op cit., above at n. 48, at 449.

<sup>56</sup> Ibid, at 450.

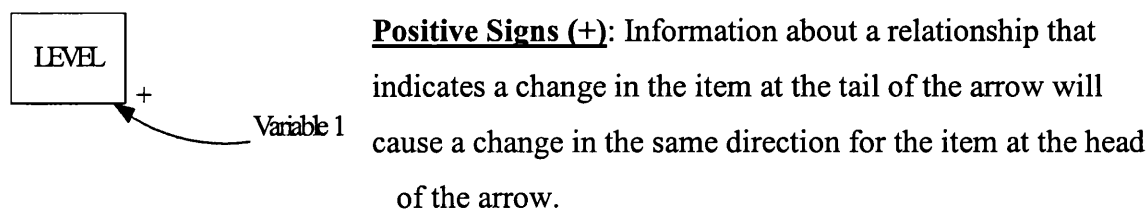
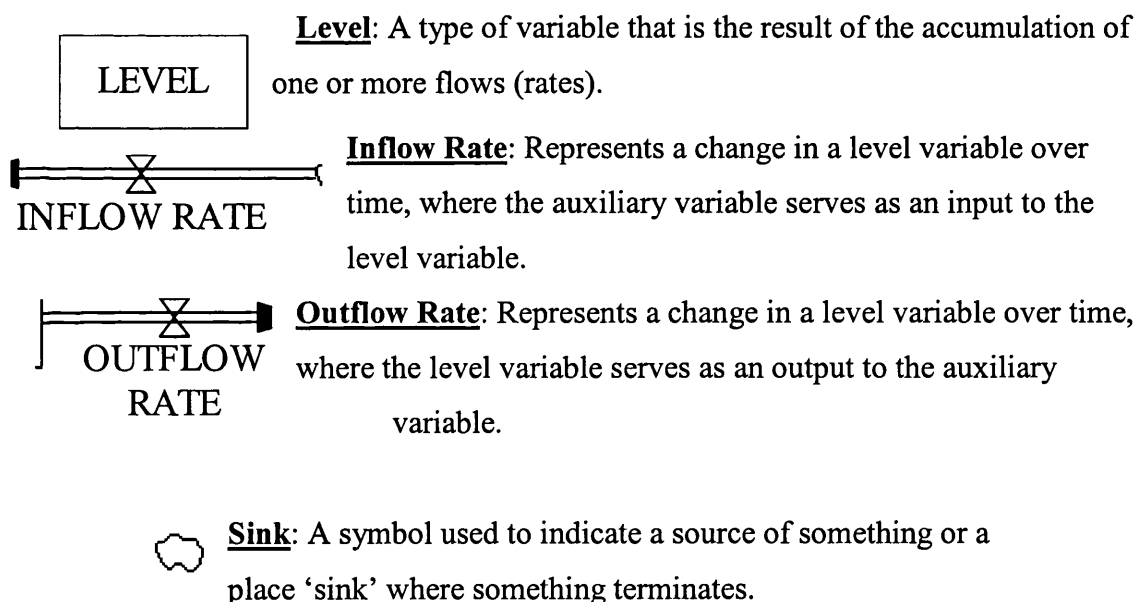
<sup>57</sup> The importance of organisational culture to the change process is highlighted as a major obstacle to change in D. Lewis, ‘Bridging the Gap? The parallel universes of the nonprofit and the non-governmental organisation research traditions and the changing context of voluntary action’, International Working Paper No 1. CVO, LSE, 1998, and C. Weaver and R. Leiteritz, “‘Our Poverty is a World Full of Dreams’”: Reforming the World Bank’, *Global Governance*, 2005, Vol. 11, pp. 369—388. This variable is considered a necessary but not sufficient condition for interpreting strategic change in an organisation.

<sup>58</sup> These were based on Pettigrew’s 1992 findings within the NHS. In A. Pettigrew, E. Ferlie and L. McKee, *Shaping Strategic Change: Making Change in Large Organizations*, London: Sage Publications, 1992, at.277—86.

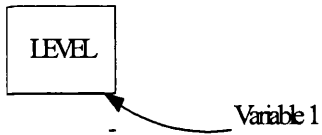
variables leading to outcomes, major determinants of change could be seen using the CLD models. An analysis of each contributing factor of the change process is provided in Chapter Nine.

***How to read the Causal Loop Diagrams in this study***

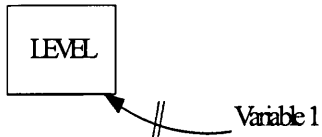
There are two computer modelling programmes used for building CLDs and flow diagrams: Vensim PLE and STELLA. For this study, Vensim PLE was used, as it performs simple modelling techniques without the need for formal mathematical models. Vensim PLE was chosen as the relevant programme, as the research approach – that of case studies, qualitative information analysis, observation and limited use of system dynamics—was more compatible with the functionalities of Vensim. The basic symbols used in Vensim flow diagrams and CLDS are listed below:<sup>59</sup>



<sup>59</sup> Definitions of the symbols for level, rate, sink and delay were taken from Roberts et al (1983), op cit., above at n. 48, at 449—52. Definitions for inflow and outflow rate and negative and positive feedback signs were adapted from the above text, and supplemented with information from pp. 33—34.



**Negative Signs (-):** Information about a relationship that indicates a change in the item at the tail of the arrow will cause a change in the opposite direction for the item at the head of the arrow.



**Delay:** Passing of time; Each arrow in a CLD represents a delay of some length

The variables and explanations of strategic change processes in IOs in this study are only a representation of the change processes across one issue area. Further generalisability about the strategic change processes in IOs can only be made when other analyses of change processes in IOs are analysed.

This study tests a new methodology, which melds previous research techniques in management studies and can be refined according to its strengths and weaknesses.<sup>60</sup> The interpretation of strategic change processes in organisations is performed using system dynamics. This is unlike other process-oriented analyses of strategic change in organisations, which can combine qualitative and quantitative research information to interpret processes and outputs.

However, because little information was known about the strategic change processes at the outset of this study, the research approach included an exploratory phase, which included information collection via document review and informational interviewing. This was performed before the research questions were formally decided and case studies selected. After this phase, more typical case study research approaches were employed. While the unlikely pairing of exploratory and explanatory case study approaches coupled with system dynamics techniques may not be well grounded in the current literature, it nonetheless was a thorough, useful and scientific method of conducting research on strategic change across one issue area.

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<sup>60</sup> For instance, the methodology will need to be refined for future studies on strategic change in IOs that have a more bureaucratic versus less bureaucratic organisational structure.

## 2.4 CONCLUSIONS

This chapter explained the challenges of applying existing research methods to analyse strategic change in IOs. Specifically, no previous study had undertaken an investigation of strategic change in an IO and across a global issue area. Thus, a new methodology was designed, which applies viable research techniques from the management and political science disciplines. The approach used in this thesis employs exploratory and explanatory case study techniques, qualitative research methods for information gathering and system dynamics models for analysing the information collected. This enabled the researcher to capture the richness of the individual strategic change processes and unique organisational environments in which they were formed. As a result, the method expands the field of IOs research by allowing greater analysis of the subject's complexity and context.

This chapter discussed the various components of conducting qualitative, comparative case study fieldwork related to the study of strategic change processes within IOs. Recent process-oriented case studies used to analyse strategic change were the most promising technique for the thesis's key objectives, which supported the approaches used by management researchers. Process-oriented analyses helped complete the explanatory framework for strategy and policy processes within each of the four organisations analysed in the empirical work.

As a result, the researcher employed two exploratory and explanatory research questions to explain outcomes of strategic change processes in IOs. These questions are: How and why does strategic change occur in IOs? What affects each output of the process? To fully capture such processes, observations, interviews, and document review were used as a triangular approach to data collection for each case study. This triangulation of data gathering helped to ensure validity of data and comparability across case studies.

As organisations were selected as the unit of analysis, a small number of organisations that existed within a larger network of organisations were examined. System dynamics models helped explain the formal outcomes of the change processes within the system using CLDs, which model complex feedback processes in systems. Variables for the CLDs were based on previous studies of strategic change in organisations (e.g. Sastry) as well as others uncovered during the exploratory phase of this study. Information from the CLDs contributed to the major explanations of strategic change in IOs. The

application of system dynamics models to this study is an innovative and logical contribution to the study of IOs, as it allowed for maximum analysis of the qualitative information collected during the three year study.

Before turning to the empirical studies and results of the thesis, the context of this study must be explained: forests and forest-related organisations. The particular issue area selected for this study, forests and forestry, was the subject of serious contention over the last twenty years. The political and technical implications of using this global theme as the subject of research, as well as the organisational environments into which the subject is diffused, is the focus of the next chapter.

## CHAPTER THREE: CONTEXTUALISING STRATEGIC CHANGE

As discussed in the previous chapters, strategic change can result in incremental, transformational and regressive outputs. The change process is shaped by a variety of organisational system factors, including leadership, threats to the organisation and organisational actors' attention shifting between political thematic areas. This chapter addresses the thematic area that is the focus of this thesis: forests. It provides an overview of global forest issues and explains how solutions to forest problems emerged at the international organisational (IO) level. While international political attention focused on outcomes of global events from 1992—2006, other important national, regional and local level initiatives were also formed during this time.

This chapter explains why strategic change at the organisational level is only somewhat influenced by global political events, and how organisational characteristics play a role in strategic change. It explains the limitations of analysing strategic change outputs using global level events, and why greater organisational analysis is required to understand strategic change. Specific attention is drawn to IO governance structures, which can limit or facilitate change in an organisation. It explains organisational challenges to closing the 'governance gap' by illustrating the difficulties in attaining both decentralisation and centralisation of political power in specific organisational contexts.<sup>1</sup>

It also discusses how organisational performance can affect the rate and nature of strategic change. As explained in Chapter One, Sastry's (1997) model of organisational change suggests that organisational performance is a key factor in initiating and determining the type of strategic change. However, this chapter will explain how, to date, performance assessments in IOs have been fragmented or non-existent, making any type of strategic change difficult to initiate based on performance alone. The effects of governance and performance have both had major impacts on the creation and revitalisation of strategic change efforts in IOs from May 1994—May 2005. This chapter sets the tone for later chapters, which show how strengthening organisational

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<sup>1</sup> Held (2003) notes that inclusiveness of stakeholders in political decision-making requires both the 'decentralisation and the centralisation of political power'. D. Held, *Global Covenant*, Cambridge, Polity, 2003, at 100. This chapter will later explain how the constraints of formal governance structures can minimise the opportunity to achieve stakeholder inclusiveness both at the central and decentralised levels.

performance and closing the governance gap can improve IO autonomy and effectiveness.

This chapter will provide introductory material to the empiricism in the next part of this work. It first presents a historical overview of forests' emergence on the global agenda, briefly discussing the shift of work on forests for industrial to development-related purposes.<sup>2</sup> It then discusses the evolution of forest events over the period of this study, May 1994—May 2005 and explains why events-based analyses do not provide an adequate explanation of change in forest-related IOs. Thirdly, it explains the role of governance structures and performance as contributors to change at the organisational level, and how they were identified as triggers to strategic change during the information collection stage of this work. Finally, a brief overview of the four case studies is provided to introduce the empirical work.

### 3.1 A Brief Overview and History of Forest Issues

Forests are a complex, changing global resource. According to the World Bank, over 90% of the 1.2 billion people living in extreme poverty depend on forests for their livelihoods.<sup>3</sup> Both natural and planted forests are a key source of income for many forest-dependent people and a resource for national and local economies.<sup>4</sup>

Forests support important ecological biodiversity, activities and products for trade, and recreation and spiritual values. Due to rising population, threats from land clearing and increasing demand for forest products, pressure on forest resources is increasing. The box below explains the important facets of global forest issues (Box 3.1):

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<sup>2</sup> F. Baumgartner and B. Jones (1993) analyse a number of issue areas to compare destabilisation of policy monopolies. They discuss the rise and fall of particular political issues on the domestic American policy agenda. While they discuss three issue areas, the wide variety of issues, actor interests and organisational structures varied too widely in international organisations to be captured in one study. Thus, only one issue area is discussed in this thesis. See F. Baumgartner and B. Jones, *Agendas and Instability in American Politics*, London, University of Chicago Press, 1993.

<sup>3</sup> World Bank, 'Forests and Forestry', 13 December 2005, 2005a, available at <<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTARD/EXTFORESTS/0,,menuPK:985797~pagePK:149018~piPK:149093~theSitePK:985785,00.html>>

<sup>4</sup> G. Mery, R. Alfaro, M. Kanninen, M. Lobovikov, H. Vanhanen, and C. Pye-Smith, *Forests for the New Millennium: Making Forests Work for People and Nature*, Ministry for Foreign Affairs of Finland and International Union of Forest Research Organizations, 2005.

## KEY GLOBAL FOREST ISSUES

-At least 1.2 billion people in developing countries use trees on farms, or manage remnants of forests, to generate food and cash. It is thought that as many as 350 million people who live in, or next to, dense forests rely on them to a considerable degree for subsistence or income. A further 60 million indigenous people are almost entirely dependent on natural forests.

-Many small farmers depend on trees and forest products on public land for subsistence, income and to supply livestock fodder and other farm inputs. Public land is particularly important for landless families, especially for the poorest of the rural poor. More and more trees are being planted on public and private land, under a variety of tenure arrangements. Secondary and degraded forests are also a valuable resource for rural communities.

-There have been significant changes in the nature and scale of forest-related industries over recent years. There has been a gradual shift in industrial forestry activity, particularly wood fibre production, from natural forests to plantations, and from developed countries to developing countries, frequently supported by foreign investments.

-Up to 60 million people are employed in the forestry and wood industries. The number of jobs in large-scale forestry and forest-related industries is declining in the North and in many countries in the South. However, the small-scale and informal sector has become increasingly important, both in terms of providing jobs and contributing to the economy in rural areas.

-Non-wood forest products (NWFP) are vitally important to hundreds of millions of rural people, mainly for subsistence and local consumption. However, markets for NWFPs tend to be poorly developed, and urban traders, rather than rural harvesters, tend to capture most of the profits.

-Fuelwood accounts for approximately half of the world's wood felling, and the demand is expected to grow, especially in Africa and Asia. The production, trade and transport of fuelwood and charcoal are well-established business in many countries.

-Agroforestry, which involves the integration of trees with other agricultural activities at the farm level, is a significant land use with a long tradition in many parts of the world. The trees generate cash through the sale of timber, fruit and other products.

-Tree plantations are forests, but they are not a substitute for natural forests. Plantations provide an increasing share of industrial wood and they are also important for local wood supply.

-Illegal logging is a major problem in many developing countries, especially when practiced on a large scale. Logging for subsistence is often 'illegal', for the simple reason that it is proscribed by the law.

-Conservation strategies are often an emergency reaction to rapid habitat loss. When they focus purely on protected areas and ignore the broader landscape, they may fail to achieve their goals.

-Forests cannot be considered in isolation. Forests help to stabilise soils, have a significant impact on climate, regulate the flow and quality of freshwater and provide a habitat for many species which help to maintain healthy ecosystems. Additionally, the economic, social and environmental demands made on forests are continually increasing. A range of environmental services- including those from forest products; forestry and wood-related enterprises; local and national governments; conservation and recreation – from forests benefit a range of groups.

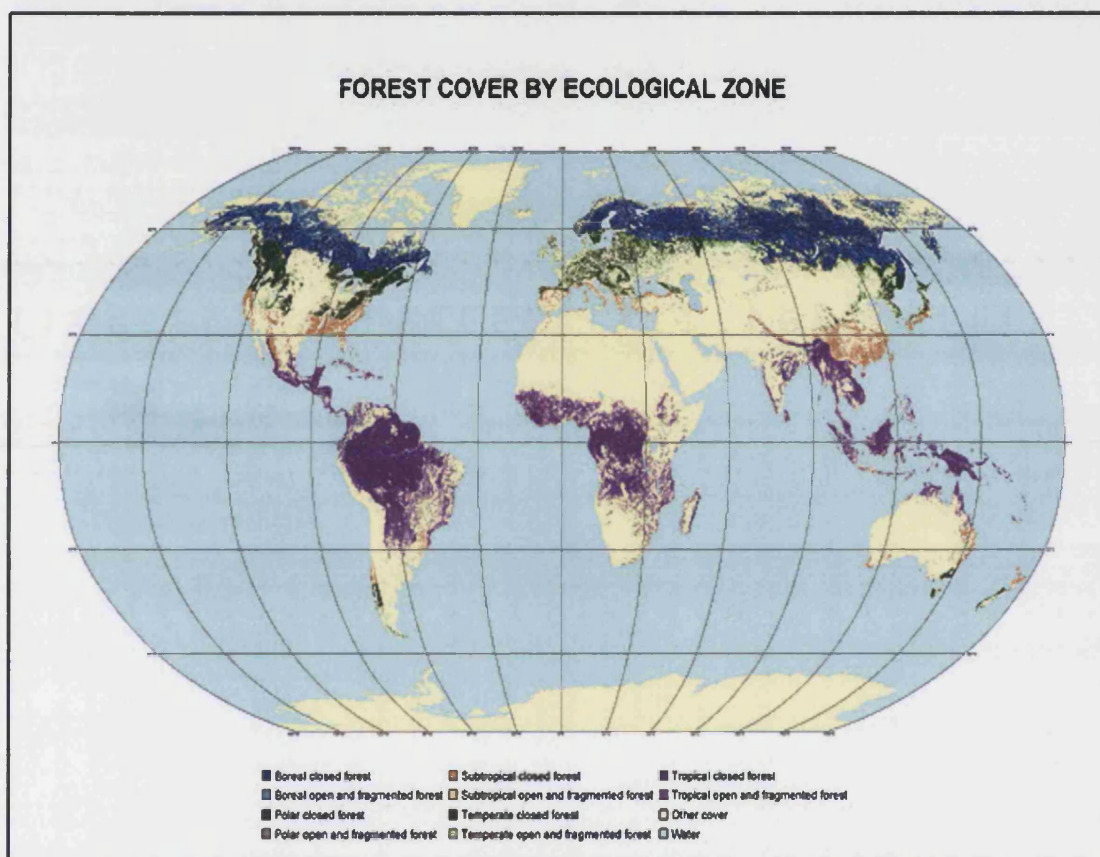
-However, the benefits from forests are frequently unevenly shared. Existing patterns of land ownership, access rights and tenure have a strong influence on who benefits from forests – and who loses out. The nature of the relationship between indigenous societies and forest is often based on customary laws which are not recognised by modern states. This has frequently led to conflict with local authorities.

Box 3.1 Key Global Forest Issues (compiled from Mery et al 2005)<sup>5</sup>

<sup>5</sup> Mery et al (2005), op cit., above at n. 4, at 11-28.



Yet, forest resources vary significantly by type and geographic region. The forest-related issues mentioned above affect countries with forest cover differently. As a result, the strategic importance of these issues on the policy agenda can be highly variable, according to different national priorities, which are determined by the type of forest problem and forest cover in a given country. The type of forest cover by ecological zone is presented below (Map 3.2):

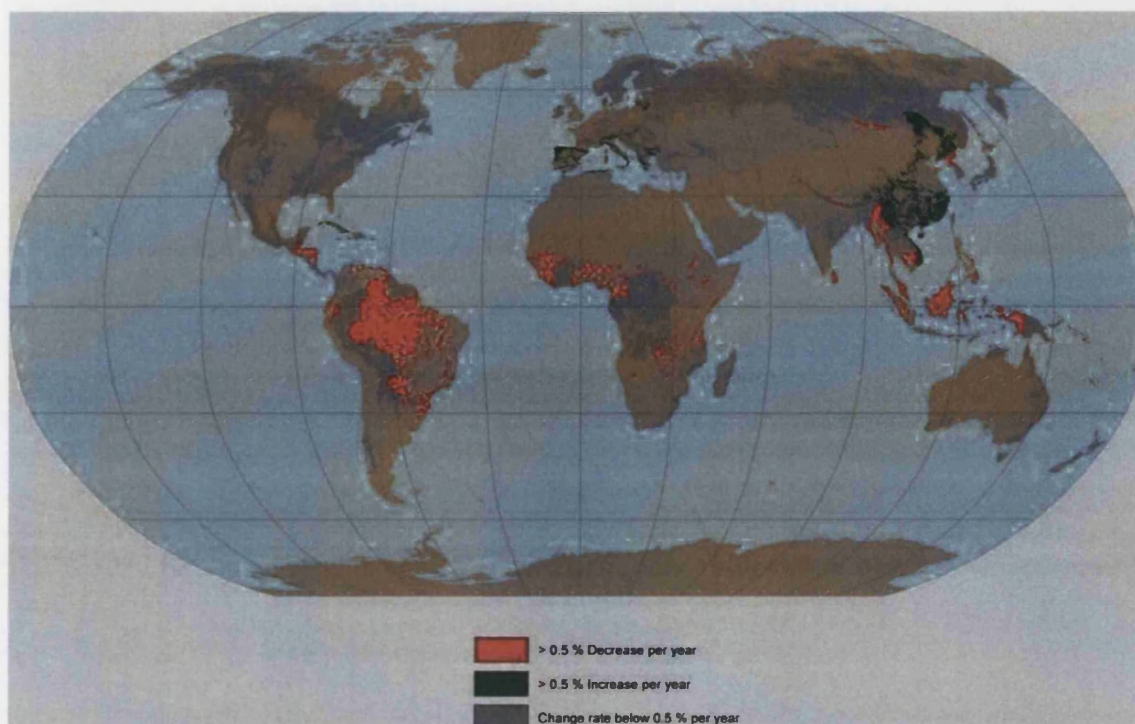


Map 3.2 Forest Cover by Ecological Zone (FAO, 2005)<sup>6</sup>

In particular, the last five years have seen increasing rates of deforestation, even though global level initiatives to combat the problem have been ongoing. Such rapid deforestation has been seen particularly in countries such as Brazil, Russia and China. As seen by the varying degree of deforestation, it is difficult to address the problem using a single approach.

<sup>6</sup> FAO, 'Forest Cover by Ecological Zone', FAO website, 2005b, available at <<http://www.fao.org/forestry/foris/webview/forestry2/index.jsp?siteId=6123&sitetreeId=24508&langId=1&geoId=0>>.

### COUNTRIES AND FORESTS WITH HIGH RATES OF NET FOREST AREA CHANGE 2000-2005

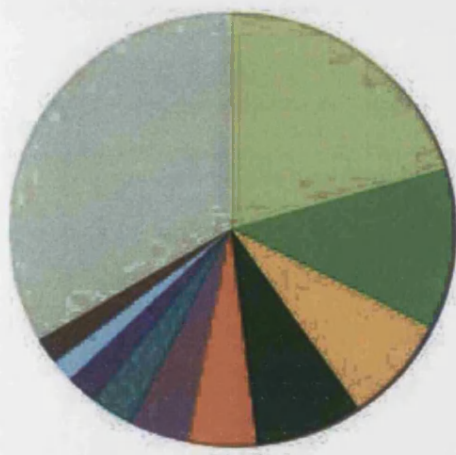


Map 3.3 Countries and Forests with High Rates of Net Forest Area Change, 2000-2005 (FAO, 2005)<sup>7</sup>

The key negotiators on forest policy also happened to be those with the largest forest cover. About ten countries could be considered in this category, as shown in Chart 3.1. According to the Chart below, the US, Canada, the Russian Federation, China, India, Australia and Brazil, among others were key in determining the nature and outcome of political events in the early 1990s until late 2005.

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<sup>7</sup> FAO, 'Countries with Forests with High Rates of Net Forest Area Change 2000-2005', FAO website, 2005a, available at <http://www.fao.org/forestry/foris/webview/forestry2/index.jsp?siteId=6123&sitetreelId=24508&langId=1&geolId=0>.



### Ten countries with the largest forest area, 2005 (million ha)

Russian Federation	809	Indonesia	88
Brazil	478	Peru	69
Canada	310	India	68
United States	303	Others	1333
China	197		
Australia	164		
Democratic Republic of the Congo	134		

Chart 3.1 Ten countries with the largest forest area, 2005 (FAO, 2005)<sup>8</sup>

These countries dominated interventions during many global debates on forests. The problem with solving and designing measures to manage global forest resources is that some actors in global forest policy arena believe that such measures are best addressed at the local level, but others believe these issues should be tackled globally. Although there are still a great deal of forest resources at the global level, the problem of deforestation has been an ongoing and difficult problem to address at the global, national and local levels.

Historically, forests emerged on the IO technical agenda due to the effects of industrialisation.<sup>9</sup> The utilization of forest resources in the 1950s, 1960s, and 1970s caused intense focus on the production and extraction of forest resources.<sup>10</sup> However, forests faced increasingly complex pressures from population pressure to biodiversity loss, which prompted political action at the global level.

<sup>8</sup> FAO, 'Ten countries with the largest forest area, 2005', 2005d, available at <<http://www.fao.org/forestry/foris/webview/forestry2/index.jsp?siteId=6123&sitereId=24508&langId=1&geold=0>>.

<sup>9</sup> There are clearly a range of non-industrial issues that affect forest clearing, such as increases in demand for forest products and clearing of land for agriculture. These issues are discussed briefly in this chapter. However, there are a range of technical issues related to forests that is outside the scope of the thesis. This chapter and the subsequent empirical work only discusses forest problems as it relates to the organisational contexts studied in this thesis.

<sup>10</sup> This is similar to a number of other commodity problems that faced the global community in the 1950s, 1960s and 1970s. The UN Conference on Trade and Development was largely responsible for addressing these issues. For a preliminary overview of these issues and how they relate to forests, see L. Flejzor, 'Reforming the International Tropical Timber Agreement', *Review of European Community and International Environmental Law*, 2005a, Vol. 12 No.1, London, Blackwell, pp. 19—28 and A. Mojarov and M. Arda, 'Commodities', in UN Conference on Trade and Development (UNCTAD), *Beyond Conventional Wisdom in Development Policy: An Intellectual History of UNCTAD 1964-2004*, Geneva, United Nations, 2004.

To rectify this problem, an overarching approach was developed to manage forests at the global level. Such approaches included: international cooperation on financial assistance and technology transfer; scientific research, forest assessment and development of criteria and indicators for sustainable forest management; trade and environment related to forest products and services; and other multilateral institutions and instruments. However, the problem of deforestation still persists and has been the key focus of the global forest community for the last three decades. An overview of this problem and strategies to solve it are discussed below.

### ***Core Global Problem: Reducing Deforestation***

The problem of global deforestation caused global political action in the late 1970s and early 1980s.<sup>11</sup> Deforestation, as defined by the Food and Agriculture Organization (FAO) is ‘the conversion of forest to another land use *or* the long-term reduction of the three canopy cover below the minimum 10% threshold.’<sup>12</sup> Poore (2003) notes that initial efforts to overcome forest loss included longer time between yields or ‘sustainable yields’, although such efforts were taken over by the ‘expansion of forest exploitation that came with mechanisation’.<sup>13</sup> Since the Second World War, global deforestation was on the rise due to mechanisation, in which many new opportunities arose for land-clearing and dam building.

However, the ‘ill-effects of diminishing forest resources and its impact on humanity led to better appreciation of the environment, social and economic benefits of forests to people and society, a process that was often led by the environmental pressure groups that started to emerge during the 1970s’.<sup>14</sup> The 1972 United Nations Conference on the Human Environment, where the first FAO Global Forest Resource Assessment (FRA) was considered, and the ‘genuine desire to persuade tropical countries not to commit the

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<sup>11</sup> It should be noted, however, that different definitions of deforestation do not always categorize it as a problem.

<sup>12</sup> FAO, *Global Forest Resources Assessment – Main Report*, FAO Forestry Paper No. 140, Rome, 2001, available at <[www.fao.org/forestrysite/fra2000report/en](http://www.fao.org/forestrysite/fra2000report/en)>. The term deforestation ‘specifically excludes areas where the trees have been removed as a result of harvesting or logging, and where the forest is expected to regenerate naturally or with the aid of silvicultural measures’. From FAO, ‘Proceedings: Second Expert Meeting on Harmonizing Forest-Related Definitions for Use by Various Stakeholders’, 11–13 September 2002, Revised Edition, Rome, Italy, 2003a, at 44.

<sup>13</sup> D. Poore, *Changing Landscapes*, London, Earthscan, 2003, at 9. Poore notes that these opportunities included the expansion of agriculture, new irrigation schemes and improvement of pasture. He also indicates that in the 1950s and 1960s, tropical moist forests were mostly subjected to these pressures. Poore (2003), at 8–13.

<sup>14</sup> FAO, ‘A Strategy For Forestry in FAO, Second Draft, Section I: The Evolving Nature of Forestry Development’, 22 July 1996, internal document, 1996k.

same mistakes of developed countries in the course of their development' started programmatic work on forests at the international organisational level.<sup>15</sup> This work included rural development forestry programmes, which Brechin (1997) notes were begun in the mid-1970s by global organisations such as the FAO, the World Bank and CARE.<sup>16</sup> While an important component of addressing global deforestation problems, rural forestry programmes were only part of addressing the sustainable management of forests.

'During the 1980s the concept of sustainable forest management (SFM) was reconsidered and was broadened from management for sustainable yield to include wider social, economic and environmental benefits'.<sup>17</sup> The use of 'forest management' emerged as a 'concept that could be applied to planning, implementing, monitoring and control at the national, subnational, forest management unit and stand levels'.<sup>18</sup> Studies and assessments of SFM implementation have become measures of performance of organisations' policies and strategies over the long term.<sup>19</sup> The wider concept of SFM became important to addressing forest problems in the years that followed.

In the late 1970s and 1980s, a significant amount of attention was given to the issue of tropical forest deforestation. 'Although tropical forests cover less than 15 per cent of the planet's land surface, they contain over half the world's terrestrial species'.<sup>20</sup> A broader, wide scale management programme to address deforestation in tropical countries in the 1980s was a strategy called the Tropical Forestry Action Plan (TFAP). Humphreys (1996) explains that TFAP addressed five action programmes: forestry in land use; forest-based industrial development; fuelwood and energy; conservation of tropical

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<sup>15</sup> Poore (2003), op cit., above at n. 13, at 13-14.

<sup>16</sup> Brechin conducted a comparative analysis of these programmes from a sociological perspective. He noted that 'although CARE's forestry work was allocated to community forestry, FAO Forestry sponsored more projects than CARE (189 to 96) in more countries (71 to 29), far more than the World Bank. In S. Brechin, *Planting Trees in the Developing World*, London, The Johns Hopkins University Press, 1997, at 7.

<sup>17</sup> FAO internal document (1996k), op cit., above at n. 14.

<sup>18</sup> FAO (2003), op cit., above at n. 12, at 8.

<sup>19</sup> Humphreys (1996) also indicated that such loans led to increasing debt in developing countries, which put increasing pressure on forests. The World Bank initiated such programmes to a large extent, with some having devastating effects on the local communities they were designed to improve. For instance, a particular example was the failed Polonoreste project in the Amazon (the implications of which are discussed in Chapter Four). These programme outcomes increased environmental activism from local communities and environmental groups at the organisational level. D. Humphreys, *Forest Politics: The Evolution of International Cooperation*, London, Earthscan, 1996.

<sup>20</sup> Mery et al (2005), op cit., above at n. 4, at 7.

forest ecosystems; and an action programme on institutions.<sup>21</sup> As TFAP was implemented in the late 1980s and the 1990s, the programme was criticised for failing to meet its goals.<sup>22</sup> Nevertheless, TFAP was the basis for future action at the national level, through national forest programmes (NFPs), which were designed to help countries take a strategic approach to addressing national forest issues.

A temporary shift of political attention from programme to policy work occurred in the mid-1980s, when the International Tropical Timber Agreement was negotiated and agreed in 1983. The International Tropical Timber Agreement 1983 (ITTA 1983) addressed a broad scope of work on tropical timber trade and values. The ITTA 1983 helped to promote, among other issues, the 'expansion and diversification' of international trade in tropical timber, and established the International Tropical Timber Organization (ITTO) to conduct project and programme work relevant to the Agreement.<sup>23</sup> The Organization implemented projects to improve tropical forest management and utilization of tropical moist forests, while conserving their unique biodiversity. While ITTA, 1983 was agreed to as a commodity agreement, indirectly addressing the SFM issue, it was not until the early 1990s that global forest issues would be more comprehensively addressed.

In the 1990s, however, new information and uncertainty about many emerging forest issues created a burgeoning global agenda. To tackle the problem of uncertainty, many IOs designed policy responses during global events. Complementary programmes at the national level, which include criteria and indicators (C&I), certification, and NFPs were created as an attempt to manage forest sustainably at all levels.

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<sup>21</sup> Humphreys (1996), *op cit.*, above at n. 19, at 33. Humphreys notes that the TFAP was designed by FAO, the UN Development Programme, the World Bank and the World Resources Institute based on an idea posed at a 1982 UN Environment Programme/ UN Educational, Social and Cultural Organisation/ FAO Experts' meeting on tropical forests. In this book, Humphreys also provides an overview of international forest politics from 1983-1995, capturing the rich political processes studied within *inter alia* the UN, FAO and International Tropical Timber Organization. This thesis diverges from Humphrey's study in that it considers the influences of specific structural, leadership and actor initiated changes in forest policies, and primarily strategic changes that occurred after 1996.

<sup>22</sup> Brechin (1997) indicates that many donor countries and funding agencies were dissatisfied with TFAP implementation, while many developing countries expressed satisfaction at the benefits of the TFAP process. Brechin (1997), *op cit.*, above at n. 16, at 67. However other developed, donor country practitioners involved in the TFAP process suggested that overall performance at the local levels was satisfactory, and that this was most important indicator of success for the TFAP process (L. Flejzor, from a semi-structured interview with Interviewee #51, Session A). As Brechin notes, such divergent perspectives on the TFAP processes was due to the definition of performance criteria for the programme. This issue is further discussed in Chapter Five of the empirical work.

<sup>23</sup> UNCTAD, 'International Tropical Timber Agreement, 1983', 18 November 1983, Geneva, Switzerland, 1983, Articles 2 and 3.

In 1992, the UN Conference on Environment and Development (UNCED) gave significant attention to the forest issue. At this conference, three formal mechanisms were designed to implement global environmental work: the UN Framework Convention on Climate Change, the UN Convention on Biological Diversity (CBD) and the UN Convention to Combat Desertification. A key output of the UNCED conference was forest-related biodiversity work under the CBD, which developed an ‘ecosystem approach’ to managing forests. The ecosystem approach manages land, water and other resources within specific biological systems, in an attempt to balance conservation and sustainable use.<sup>24</sup> Although there has been some attempt to base the concept of SFM on the ecosystem approach, the use of the ecosystem approach is still contested.

In part, the inability to agree to a forest convention at the Rio Summit (or the UN Conference on Environment and Development) was due to the lack of an agreed-to definition of ‘deforestation’ and the complexity involved with finding solutions to global forest problems.<sup>25</sup> Negotiators at the 1992 Rio Summit did not agree to a binding convention for all types of forests, and instead agreed to the ‘Forest Principles’.<sup>26</sup> The Forest Principles, a non-legally binding document on the management, conservation and sustainable development of all kinds of forests, was the first document to include references to the term ‘sustainable forest management’. The Forest Principles include

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<sup>24</sup> FAO, *State of the World's Forests 2005*, Rome, FAO, 2005c, at 21.

<sup>25</sup> For an overview on other reasons why the convention was not agreed, see R. D. Lipshutz, ‘Why Is There No International Forestry Law? An Examination of International Forestry Regulation, Both Public and Private’, 1999, available at <<http://www.seweb.uci.edu/users/dimento/Lipshutz.htm>> and D. Davenport, ‘An Alternative Explanation for the Failure of the UNCED Forest Negotiations,’ *Global Environmental Politics*, 2005, Vol. 5, No. 1, pp. 105—130. D. Humphreys notes that the complexity of the forest issue arises from two factors: ‘1) deforestation introduces a wide range of political actors, from government and international civil society, with a direct or an indirect stake in forest use’ and 2) ‘from its linkage to other issues...and can be an outcome and a causal factor’. In Humphreys (1996), *op cit.*, above at n. 19, at 1—2.

<sup>26</sup> See United Nations (UN), ‘Non-Legally Binding Authoritative Statement of Principles for a Global Consensus on the Management, Conservation and Sustainable Development of All Types of Forests’, *Earth Summit: Agenda 21, The United Nations Programme of Action from Rio*, United Nations Department of Public Information, New York, United Nations, 1992b. Another piece of guidance on forests agreed to at the Earth Summit was Chapter 11 of Agenda 21, ‘Combating Deforestation’. This guidance included specific points for action, objectives, means of implementation and activities for: ‘sustaining the multiple roles and functions of all types of forests, forest lands and woodlands’; ‘enhancing the protection, sustainable management and conservation of all types of forests and the greening of degraded areas, through forest rehabilitation, afforestation, reforestation and other rehabilitative means’; ‘promoting efficient utilization and assessment to recover the full valuation of the goods and services provided by forests, forest lands and woodlands’; and ‘establishing and/or strengthening capacities for the planning, assessment and systematic observations of forests and programmes, projects and activities, including commercial trade and processes’. In United Nations, ‘Chapter 11: Combating Deforestation,’ *Earth Summit: Agenda 21. The United Nations Programme of Action from Rio*, UN Department of Public Information, New York, United Nations, 1992a. Taken from UN, ‘Basic Briefing Package: UN Forum on Forests,’ The Secretariat of the UN Forum on Forests, May 2002, 2002a, pp. 1—28.

guidance on: non-discriminatory trade practices; national legislation and policies for forests; scientific research, forest inventories and assessments; forests and energy use; and financial resources required for developing countries to implement the Forest Principles.

While a convention on forests could not be agreed at the UN Conference on Environment and Development, the 'Forest Principles' were seen by many political negotiators as a significant output of the conference, which guided forest work throughout the 1990s using the concept of SFM. The concept of SFM is important to this thesis, as managing forests sustainably has become difficult and more complicated to measure and implement due to the plethora of standards and tools formed in the 1990s. The problem that arises from the variety of techniques to implement SFM is that harmonisation of standards has become difficult at all levels, national actors have preferred implementation approaches at the national, regional and global levels, and there is not a collective view for problem-solving at the global level. Finally, different financial and human capabilities at the national and local level have made implementation difficult and often costly.

As a result, two separate but related processes influenced forest work at the global level in the 1990s: political and managerial processes. The lack of a forest convention led to a temporary shift of attention from a political to programmatic focus within IOs. The absence of a forest convention also had an impact on the managerial tools that were utilised to address forest issue in the FAO, ITTO, World Bank and United Nations Forum on Forests (UNFF).

Without concrete or binding goals for each organisation, as stated in a forestry convention, it was left to individual IOs to develop internal organisational strategies and policies for forest programme and project implementation. Such work was to be based on the guidance from the 'Forest Principles' and 'Combating Deforestation', Chapter 11 of Agenda 21, and other organisational initiatives. However, temporary focus on programme activities would only set the pace for further political discussions at the global level. In fact, the long-term perspective that a legally binding forest convention



might yet again be discussed in a UN-related body helped drive programmatic work in IOs.<sup>27</sup>

The years 1994—2005 proved to be an active time in the global forest arena, as evidenced by the number and scope of political and technical events. The nature and type of events differed according to emerging issues in the global forest policy arena. However, the overall amount of political events is a poor indicator of the rich organisational work performed to address forests problems.

This thesis limits the analysis of events to a ten year timeline, May 1994—May 2005. The forest-related events within this timeline were triggered by ongoing deforestation problems and calls for greater political attention to forests at the global level. For instance, by 1994, The FAO noted that forests ‘once covered more than half the world’s land area....yet forests now cover less than one-third of the global land area, or about 3,400 million hectares’.<sup>28</sup> Such information about the continuing deforestation problem were to drive ongoing technical work at the global level, while continuing to explore possible ways forward on a binding, global forest policy. The frequency and significance of such events and activities is explained below.

### **3.2 Evolution of Global Forest Events 1994—2005**

During the period 1994—2005, organisational events increased over time. These events were opportunities for political and technical actors in the forest community to reach agreement on ways forward from the general ideas expressed in the Forest Principles and other unresolved, problematic forest issues. Humphreys (1996) notes that due to the inability of UN Conference on Environment and Development to produce a global forest convention, new international initiatives emerged, and cooperation between the North and South increased.<sup>29</sup> These include the formation of new global forest forums, further work on approaches to SFM including various C&I processes and forest certification schemes, work on illegal logging through forest law enforcement conferences and a new thematic focus on poverty alleviation and forests. While strategic and programmatic activity was the primary focus during this time, a number of global forest events, mainly conferences on technical and political forest issues, were held to move forward the forest debate.

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<sup>27</sup> L. Flejzor, from a semi-structured interview with Interviewee #5, Session A.

<sup>28</sup> FAO internal document (1996k), op cit., above at n. 14.

<sup>29</sup> Humphreys (1996), op cit., above at n. 19, at 135.

Initially, these events focused on technical, rather than political issues. This is because there were still high levels of technical uncertainty in the early to mid-1990s, and thus more frequent events were held to reduce the uncertainty associated with unresolved global technical forest issues. Yet, in the late 1990s and early 2000s, attention shifted to political forest issues, to address outstanding political issues from UNCED, namely the negotiation of a binding policy on forests.

To understand how such transitions were made, a preliminary assessment of global forest events from May 1994—May 2005 was conducted. At a time when some believed political attention to forests was waning, the beginning of this period shows a cluster of major political events such as the renegotiation of the ITTA, 1983 and the formation of the Intergovernmental Panel on Forests, as new global body to discuss forest initiatives. The chart represents discussions taking place on forests at the global level, but tells us little about whether these events induced strategic change at the organisational level. Moreover, the number of global events alone is a misleading indicator of political will or significant strategic change outputs.

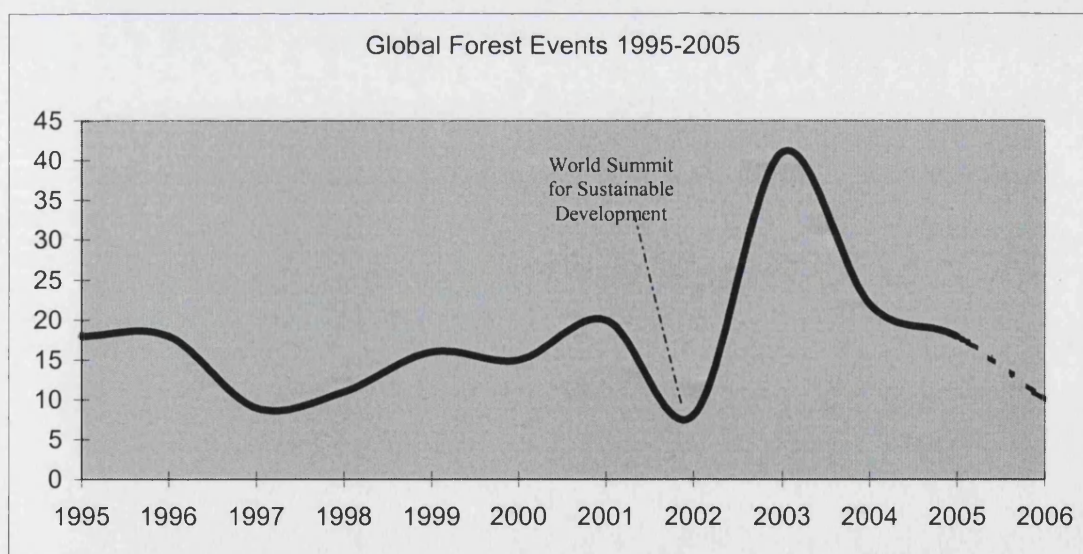


Chart 3.2 Global Forest-Related Events, 1995-2005. Note: This chart only includes conferences sponsored or in support of work undertaken by the fourteen organisations of the Collaborative Partnership on Forests.<sup>30</sup> (Source: the author)

<sup>30</sup> For instance, it does not include the Ministerial Conference for the Protection of Forests in Europe—related conferences, but includes country-led initiatives in support of the UN Forum on Forests. This is not to say that other events and initiatives such as the G8 summit and the UK-Malaysia Memorandum of Understanding, are not important contributions to the international forest processes, but that they serve as complementary rather than primary tools in the IO change process. For more information on these processes, see for instance Poore (2003), op cit., above at n. 13. Compiled information from: D. Humphreys (1996), op cit. above at n. 19; ‘Upcoming meetings’ section of the UN Forum on Forests’ website: [www.un.org/esa/forests/2003.html](http://www.un.org/esa/forests/2003.html), [www.un.org/esa/forests/2004.html](http://www.un.org/esa/forests/2004.html),

The period May 1994—May 2005 marked a critical time in the global forest policy arena. During this time: two renegotiations of a global tropical timber agreement took place; three global forum related bodies were established; two World Forestry Congresses were held; a forest-related action plan was signed under the CBD; a new strategy was created by the FAO Forestry Department; biannual Committee on Forestry meetings were held at the FAO; and a the World Bank’s forest policy and strategy were re-designed. While the chart shows how events fluctuate between about 10—20 between the years 1995—2002, the number of events significantly increases after 2002.

This is because a large amount of energy was invested in the World Summit on Sustainable Development, which addressed a range of environmental issues, including forests, biodiversity, and climate change, and served as an assessment of the progress made on global environmental initiatives since the UNCED. Thus, attention shifted to the larger, global event instead of the ad hoc concentration on forests events alone. Global actors participating at the WSSD included key forest negotiators and technical experts that celebrated success stories of previous environmental initiatives while finding future areas for action in a range of political issue areas.

The chart also shows how the number of events significantly increased after the WSSD, in 2003 (Chart 3.2). Most negotiators or other attendees at such events controlled the inputs and outputs of such events, and drew on other information from events that crossed issue areas.<sup>31</sup> As a result, these attendees were reacting to such events, without fully analysing or consolidating forest-related issues.<sup>32</sup> Clusters of activity in the form of

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[www.un.org/esa/forests/2005.html](http://www.un.org/esa/forests/2005.html), and [www.un.org/esa/forests/2006.html](http://www.un.org/esa/forests/2006.html); and ‘Upcoming Meetings’ or ‘Things to Look For’ sections of [www.iisd.ca/download/pdf/enb1301e.pdf](http://www.iisd.ca/download/pdf/enb1301e.pdf), [www.iisd.ca/download/pdf/enb1302e.pdf](http://www.iisd.ca/download/pdf/enb1302e.pdf), [www.iisd.ca/download/pdf/enb1303e.pdf](http://www.iisd.ca/download/pdf/enb1303e.pdf), [www.iisd.ca/download/pdf/enb1304e.pdf](http://www.iisd.ca/download/pdf/enb1304e.pdf), [www.iisd.ca/download/pdf/enb13105e.pdf](http://www.iisd.ca/download/pdf/enb13105e.pdf), [www.iisd.ca/download/pdf/enb13133e.pdf](http://www.iisd.ca/download/pdf/enb13133e.pdf), [www.iisd.ca/download/pdf/enb1314e.pdf](http://www.iisd.ca/download/pdf/enb1314e.pdf), [www.iisd.ca/download/pdf/enb1325e.pdf](http://www.iisd.ca/download/pdf/enb1325e.pdf), [www.iisd.ca/download/pdf/enb1334e.pdf](http://www.iisd.ca/download/pdf/enb1334e.pdf), [www.iisd.ca/download/pdf/enb1345e.pdf](http://www.iisd.ca/download/pdf/enb1345e.pdf), [www.iisd.ca/download/pdf/enb1366e.pdf](http://www.iisd.ca/download/pdf/enb1366e.pdf), [www.iisd.ca/download/pdf/enb1372e.pdf](http://www.iisd.ca/download/pdf/enb1372e.pdf), [www.iisd.ca/download/pdf/enb1383e.pdf](http://www.iisd.ca/download/pdf/enb1383e.pdf), [www.iisd.ca/download/pdf/enb1394e.pdf](http://www.iisd.ca/download/pdf/enb1394e.pdf), [www.iisd.ca/download/pdf/enb1395e.pdf](http://www.iisd.ca/download/pdf/enb1395e.pdf), [www.iisd.ca/download/pdf/enb2407e.pdf](http://www.iisd.ca/download/pdf/enb2407e.pdf), [www.iisd.ca/sd/sdvol10num12e.pdf](http://www.iisd.ca/sd/sdvol10num12e.pdf), [www.iisd.ca/sd/sdvol60num1e.pdf](http://www.iisd.ca/sd/sdvol60num1e.pdf), [www.iisd.ca/sd/sdvol60num7e.pdf](http://www.iisd.ca/sd/sdvol60num7e.pdf)

<sup>31</sup> For instance, the FAO’s State of the World’s Forests Report (2003) reflects events held in 2002 and 2003, and discusses how key events such as the World Water Forum in 2002 and the Forest Law Enforcement and Governance initiatives promoted other cross-cutting initiatives in political statements. See FAO, *State of the World’s Forests 2003*, Rome: FAO, 2003b.

<sup>32</sup> In practice, researchers suggest that behaviour in organisations based on events are likely to be more reactive and linear, thus less able to react to highly volatile and changing market and external environments. See, for example, K. Eisenhardt and J. Martin, ‘Dynamic Capabilities: What are they?’

workshops and informal events may happen before important decision-making policy conferences, but there is not a clear causal linkage between the number of events and types of strategic changes in IOs.<sup>33</sup> The total amount of events per year shown above are a poor indicator of how and when strategic change occurred, as a range of variables contributed to increased change, and were only somewhat influenced by global forest events held in international negotiating forums. Key IO strategic changes are plotted below (Chart 3.3):



Chart 3.3. Global Forest-Related Events and Strategic Changes, 1995—2005.<sup>34</sup> (source: the author)

At each of the points identified on the chart, a punctuated, incremental or regressive change occurred. Note, for instance, that even though the World Bank's Revised Forest

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*Strategic Management Journal*, 2000, Vol. 21, pp. 1105—1121. This behaviour is clearly evidenced in Chapter Seven on the UN Forum on Forests, a body that relies only on forum events to conduct its work.

<sup>33</sup> This will be demonstrated in Chapter Three of this study.

<sup>34</sup> This chart only includes conferences sponsored or in support of work undertaken by the fourteen organisations of the Collaborative Partnership on Forests. For instance, it does not include the Ministerial Conference for the Protection of Forests in Europe –related conferences, but includes country-led initiatives in support of the UN Forum on Forests (UNFF). Compiled information from: Humphreys (1996), op cit., above at n. 19; 'Upcoming meetings' section of the UN Forum on Forests' website: [www.un.org/esa/forests/2003.html](http://www.un.org/esa/forests/2003.html), [www.un.org/esa/forests/2004.html](http://www.un.org/esa/forests/2004.html), [www.un.org/esa/forests/2005.html](http://www.un.org/esa/forests/2005.html), and [www.un.org/esa/forests/2006.html](http://www.un.org/esa/forests/2006.html); and 'Upcoming Meetings' or 'Things to Look For' sections of [www.iisd.ca/download/pdf/enb1301e.pdf](http://www.iisd.ca/download/pdf/enb1301e.pdf), [www.iisd.ca/download/pdf/enb1302e.pdf](http://www.iisd.ca/download/pdf/enb1302e.pdf), [www.iisd.ca/download/pdf/enb1303e.pdf](http://www.iisd.ca/download/pdf/enb1303e.pdf), [www.iisd.ca/download/pdf/enb1304e.pdf](http://www.iisd.ca/download/pdf/enb1304e.pdf), [www.iisd.ca/download/pdf/enb13105e.pdf](http://www.iisd.ca/download/pdf/enb13105e.pdf), [www.iisd.ca/download/pdf/enb13133e.pdf](http://www.iisd.ca/download/pdf/enb13133e.pdf), [www.iisd.ca/download/pdf/enb1314e.pdf](http://www.iisd.ca/download/pdf/enb1314e.pdf), [www.iisd.ca/download/pdf/enb1325e.pdf](http://www.iisd.ca/download/pdf/enb1325e.pdf), [www.iisd.ca/download/pdf/enb1334e.pdf](http://www.iisd.ca/download/pdf/enb1334e.pdf), [www.iisd.ca/download/pdf/enb1345e.pdf](http://www.iisd.ca/download/pdf/enb1345e.pdf), [www.iisd.ca/download/pdf/enb1366e.pdf](http://www.iisd.ca/download/pdf/enb1366e.pdf), [www.iisd.ca/download/pdf/enb1372e.pdf](http://www.iisd.ca/download/pdf/enb1372e.pdf), [www.iisd.ca/download/pdf/enb1383e.pdf](http://www.iisd.ca/download/pdf/enb1383e.pdf), [www.iisd.ca/download/pdf/enb1394e.pdf](http://www.iisd.ca/download/pdf/enb1394e.pdf), [www.iisd.ca/download/pdf/enb1395e.pdf](http://www.iisd.ca/download/pdf/enb1395e.pdf), [www.iisd.ca/download/pdf/enb2407e.pdf](http://www.iisd.ca/download/pdf/enb2407e.pdf), [www.iisd.ca/sd/sdvol10num12e.pdf](http://www.iisd.ca/sd/sdvol10num12e.pdf), [www.iisd.ca/sd/sdvol60num1e.pdf](http://www.iisd.ca/sd/sdvol60num1e.pdf), [www.iisd.ca/sd/sdvol60num7e.pdf](http://www.iisd.ca/sd/sdvol60num7e.pdf)

Strategy and Policy was agreed at the time when global forest events were low, a punctuated (or transformational) change at the organisational level nevertheless resulted. In the case of the UNFF, a large number of events had been held in 2003 and tapered off as a major conference on forests, the Fifth Session of the UNFF, approached; nevertheless, UNFF-5 resulted in a regressive strategic change. These two examples provide mixed evidence on Baumgartner and Jones's (2002) suggestion that decision-making outcomes are often preceded by a larger number of strategic events. Thus, an investigation of strategic processes at the system level needs to be undertaken to better understand how and why such differences resulted. The specific strategic changes explained in this thesis are as follows (Table 3.1):

<b>Event</b>	<b>Organisation or Department</b>	<b>Initiated by</b>	<b>Completed</b>
International Tropical Timber Agreement, 1994	International Tropical Timber Organization	International Tropical Timber Council	1994
Intergovernmental Panel on Forests Established	UN Department of Economic and Social Affairs	UN Commission on Sustainable Development / Economic and Social Council	1995
Intergovernmental Forum on Forests Established	UN Department of Economic and Social Affairs	UN Commission on Sustainable Development / Economic and Social Council	1997
Libreville Plan of Action	International Tropical Timber Organization	International Tropical Timber Council	1997
FAO Forest Strategy	FAO Forestry Department	FAO Committee on Forestry/ FAO Conference	1999
UNFF Established	UN Department of Economic and Social Affairs	UN Commission on Sustainable Development / Economic and Social Council	2000
Yokohama Action Plan	International Tropical Timber Organization	International Tropical Timber Council	2001
World Bank Revised Forest Strategy and Policy	World Bank Economic and Socially Sustainable Development Network	World Bank President/Executive Board	2002
UNFF-5 report	UN Department of Economic and Social Affairs	UN Forum on Forests	2005

Table 3.1 Key strategic events in forest-related IOs (source: the author)

During the period May 1994—May 2005 work on forest issues was highly compartmentalised and somewhat fragmented at the global level. Strategic change processes began during early 1994, when the renegotiation of the International Tropical Timber Agreement, 1983 was completed. The agreed to text for the resulting policy, the ITTA, 1994, made more concrete objectives for the ITTO's work on sustainable tropical forest management, created new financing arrangements, including a new project fund called the Bali Partnership Fund; gave increased attention to forest conservation and

values; and added a strategy to achieve sustainable tropical timber exports by the year 2000, or ITTO Objective 2000.<sup>35</sup> The ITTA, 1994 was still a commodity agreement, but it enlarged the scope of the ITTO's work on forest law enforcement, certification and protected areas.<sup>36</sup> After this strategic policy change took place, other strategic changes in the global forest policy arena began to take shape.

Events in the global forest policy arena marked another turning point in 1995, when the Intergovernmental Panel on Forests (IPF) was established.<sup>37</sup> The IPF was to address issues including implementation of UNCED decisions, forestry aid, promotion of scientific research, trade and environment and the role of international institutions and multilateral environmental agreements.<sup>38</sup> The IPF, as a political forum organisation, designed over 120 proposals for action (PfAs) at the national level for implementation and conduct further analysis of the forest issue. To address these PfAs and consider emerging issues in the forest sector, a new body, the Intergovernmental Forum on Forests (IFF) was established in 1997. After another three-year period, similar outputs emerged in the IFF as in the IPF process, with additional PfAs being formulated. Additionally, recommendations were made for a new forum body to be established, the UN Forum on Forests (UNFF).

In 2000, the UNFF was established and given a mandate that it would by 2005 'consider with a view to recommending to ECOSOC and through it to the General Assembly the parameters of a mandate for developing a legal framework on all types of forests.'<sup>39</sup> However, the UNFF did not have implementing authority to take action on the over 270 IPF/IFF PfAs at the national level.<sup>40</sup> This is a key theme to which member states turned

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<sup>35</sup> L. Flejzor (2005a), *op cit.*, above at n. 10. This agreement marked the beginning of new organisational strategic work in the ITTO, namely the formation of the Libreville Plan of Action and Yokohama Plan of Action. ITTO strategic work is discussed in Chapter Six.

<sup>36</sup> For more information about the ITTO's current and future work on these issues, see L. Flejzor, 'How the ITTO Addresses Illegal Logging: Current political issues and programme activities', Chatham House Briefing Paper, July 2005, 2005b, available at <<http://www.riia.org/pdf/research/sdp/LFJul05.pdf>>

<sup>37</sup> The drive for the initial formation of this body was similar to that for climate change, where member states saw a need to establish a scientific body on the issue. Thus, the Intergovernmental Panel on Climate Change was formed to undertake scientific work on climate change. However, member states to the UN believed that a broader organisation to address forest issues was needed. (L. Flejzor, from a semi-structured interview with Interviewee #36, Session A).

<sup>38</sup> Humphreys (1996), *op cit.*, above at n. 19, at 144.

<sup>39</sup> UN, 'ECOSOC Resolution E/2000/35: The Establishment of the United Nations on Forests', adopted at ECOSOC resumed substantive session of 2000, New York, 18 October 2000, Para 3 (c) (i).

<sup>40</sup> The reasons for this are largely political, and take root in UNFF member states' opposition to a global forest convention throughout the 1990s. This issue will be further discussed in Chapter Seven, as the

to in the mid-1990s. The emphasis was not so much how UNFF could implement such PfAs, but how by utilizing alternative mechanisms, forests could be addressed at the national level. Since there was no implementing authority given to the UNFF, other IOs working on forest issues were among the bodies responsible for coordinating and designing methods for national-level SFM implementation.

Within the FAO, a new FAO Forest Strategy was begun in 1996 and approved in 1999, setting a new strategic vision for FAO's forestry work. This strategy included a three overarching goals, and a mission statement 'to enhance human well-being through support to member countries in the sustainable management of the world's trees and forests'.<sup>41</sup> This strategy was designed to enhance FAO operational work, rather than to take account of political forum events. It significantly helped increase the FAO Forestry Department's work and 'reinvented' its image within the global forest community.

Another organisation started a process to change its 1991 Forest Strategy and 1993 Forest Policy: the World Bank. The Bank's assessments of performance concluded that its lending portfolio for forests was performing poorly and subjected to negative campaigns from environmental non-governmental organisations (NGOs). This prompted a redesign of the forests strategy and policy, which was eventually agreed in 2002.<sup>42</sup> The new policy and strategy contained overarching three pillars in which forests would be addressed: 'harnessing the potential of forests to reduce poverty; integrating forests in sustainable economic development; and protecting vital local and global environmental services and values'.<sup>43</sup> Similar to FAO, this new strategy and policy also changed the nature of the World Bank's work at the department level. Despite these changes, the forest organisations were still having coordination and cooperation problems.

The utilisation of forest forums such as the IFF/IPF, FAO Committee on Forestry and International Tropical Timber Council and programmatic tools such as the FAO's NFPs, the World Bank's Poverty Reduction Strategy Papers (PRSPs), C&I and global certification schemes led to disjointed planning for forests at the global level. The

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Proposals for Action and formation of the UNFF would have implications for strategic change processes in the UNFF by 2005.

<sup>41</sup> FAO, 'FAO Strategic Plan for Forestry', Rome: FAO, 2000, at 1. This is the subject of the empirical work in Chapter Five.

<sup>42</sup> This is the subject of the empirical work in Chapter Four.

<sup>43</sup> World Bank, 'Sustaining Forests: A World Bank Strategy', Washington, D.C.: World Bank, October 2002, accessed 2003a, available at <[www.worldbank.org/forests](http://www.worldbank.org/forests)>, at 14—17.

competing, fragmented and sometimes redundant nature of such initiatives triggered a mechanism to streamline work in the forest sector in 2001.

A collaborative network was established to help IOs working on forest issues to facilitate planning and dialogue for forest issues. This network, the Collaborative Partnership on Forests (CPF), combines fourteen related organisations from the multilateral research and intergovernmental community and aims to ‘enhance coordination and collaboration among its members; and supports the work of the UNFF in the promotion of the management, conservation and sustainable development of all types of forests and in the building of political will to this end’.<sup>44</sup>

Global actors working on forests hoped that the CPF would help reduce ‘forum shopping’<sup>45</sup> at the global level and harmonise work of the forest-related organisations. The establishment of this mechanism and the UNFF helped to guide programmatic work on global forest issues, and could potentially be used as a forum in which to promote innovative ideas or success stories in the forest sector. ‘FAO, ITTO, UN Environment Programme and the Secretariats of UNFF, CBD, UN Convention to Combat Desertification (UNCCD) and UN Framework Convention on Climate Change (UNFCCC) are developing a framework for forest reporting to improve access to and coordinate information, with a view to reducing the reporting burden on countries’.<sup>46</sup> The structure of the UNFF and CPF is seen in Chart 3.4 below:

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<sup>44</sup> United Nations, UN Forum on Forests ‘CPF Network Concept Paper’, UNFF/CPF 8/2002/23 September 2002, 2002b, available at

<<http://www.fao.org/forestry/foris/webview/cpf/index.jsp?siteId=1220&sitetreeId=2090&langId=1&geoId=0>>, at 2.

<sup>45</sup> Although an interviewee (#24, Session c) used the term ‘forum shopping’, the concept is well documented in the literature. For instance, Jose Alvarez uses the concept of ‘forum shifting’, not only to explain the range of venues that exist in which to negotiate political issues, but how going to the ‘wrong’ forum can lead to a failed negotiating outcome. See J. Alvarez, *International Organizations as Law-Makers*, Oxford, Oxford University Press, 2005.

<sup>46</sup> FAO, *State of the World’s Forests 2005*, Rome, FAO, 2005c, at 60.



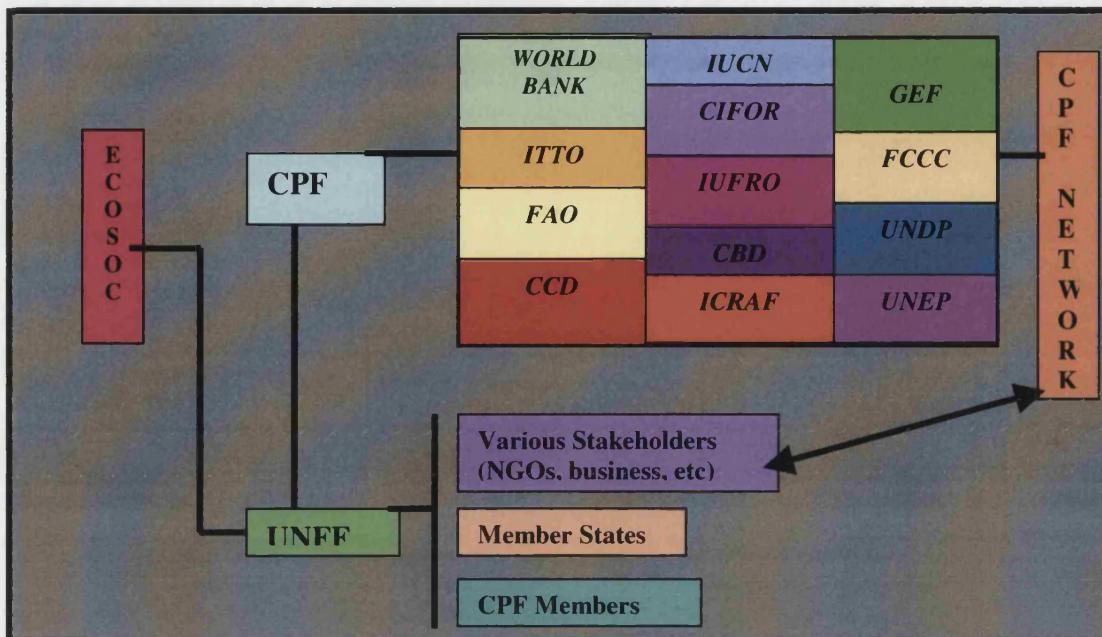


Chart 3.4: The structure of the CPF and UNFF, adapted from UNFF (2002) (see list of acronyms on pp. 7—8 for explanation)

However, the CPF has been criticised for failing to meet its objectives at the international level. New proposals were tabled in 2005 to revitalize the CPF to increase its effectiveness. While these proposals suggested harmonising and improving the work of the CPF organisations, no concrete improvements were made to the network as of January 2006.<sup>47</sup>

Throughout the period May 1994—May 2005, a variety of planning tools in IOs had an impact on the types of changes in IOs, and some of these tools were more managerial than others. The application of these tools had different effects on the CPF organisations, resulting in new policies and strategies over this ten-year period. The reasons as to the type of tool used to plan for forests in IOs hinges on two elements of the organisation: who governs the organisation and the organisation's performance in its internal and external environments. These two critical indicators are discussed below.

### 3.3 Two Critical Indicators of Strategic Change: Inertia and Performance

What does enable strategic change? The answer to this question can be found at the organisational level, by investigating what causes bureaucratic lag in response to many

<sup>47</sup> After observing CPF member representatives in a variety of political situations, it seemed the reasons for the lack of the CPF's ability to function was not that it lacked a framework under which to operate. Rather, it seemed that fundamental personality differences and strained personal relationships were a major obstacle to further cooperation in the CPF.

global problems. Many experts and government representatives to international organisations often complain about the bureaucratic forms of management of IOs and their inability to respond to global problems. In response to such a comment, the next section's focus on two components of IOs, inertia and performance, is a new approach to isolate two specific underlying causes of an organisation's ability to change. This unique and new analysis of IOs has not yet been studied in such detail; yet the value of investigating these two elements of organisational behaviour is useful if we are to understand complex, bureaucratic forms of IOs and utilise their existing strengths when solving global problems.

The concepts of performance and inertia are key to explaining why strategic changes differ in forest-related IOs. Inertia in IOs can be brought about by actors and routines in organisational governance structures, which can increase over time and inhibit change in an organisation.<sup>48</sup> As mentioned in Chapter One, other elements of the strategic change process such as organisational leadership are important influences on strategic change outcomes. However, performance and inertia are organisational components that act as sources of opportunities or obstacles to change processes were identified during the exploratory phase of the study, and need to be more thoroughly addressed before moving to the empirical work. Performance information is usually based on organisational audit reports, financial data and feedback on the effectiveness of organisational policies and plans. Since this information is more technical and concrete, performance indicators usually prompt a change process.

When IO strategic change does occur, it can have a number of effects. These operational, political and technical changes can be demonstrated in a variety of ways. They include, but are not limited to, radical changes in leadership, radical technical programme change, small operational and policy changes, and major policy failures. The

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<sup>48</sup> Inertia includes such organisational characteristics as strong norms, culture and power. (See, M. A. Sastry, 'Problems and Paradoxes in a Model of Punctuated Organizational Change' *Administrative Science Quarterly*, 1997, Vol. 42, pp. 237—275) As a result, this study recognises the obstacles powerful organisational characteristics such as culture pose to strategic change initiatives, but does not identify any one organisational characteristic as the major impediment or driver of change. This is because organisational contexts are highly variable. This study is unlike recent studies of IOs, such as Weaver and Leiteritz (2005) and Lewis (1998), who claim that organisational culture is the major obstacle to change in the World Bank. See C. Weaver and R. Leiteritz, "'Our Poverty is a World Full of Dreams": Reforming the World Bank', *Global Governance*, 2005, Vol. 11, pp. 369—388 and D. Lewis, 'Bridging the Gap? The parallel universes of the non-profit and the non-governmental organisation research traditions and the changing context of voluntary action', International Working Paper No 1. CVO: LSE, 1998.

reasons for the variety of changes have to do with the extent to which inertia and performance play a role in strategic processes.

In some management studies of strategy, organisational effectiveness, or in this study ‘appropriateness of strategic fit’, is a key determinant of change.<sup>49</sup> One of the major ways to gauge such effectiveness is by ascertaining the level of performance of the organisation’s existing strategy or policy. This study attempts to show where performance indicators enhanced strategic change, where it led to incremental change, and where it was not assessed and led to no change or failure in IOs. The next section discusses the concepts of inertia and performance in greater detail.

### *Institutional Inertia and Governance Gaps*

Inertia is an important concept in understanding why in policy-making cases, changes sometimes occur in rapid bursts while others occur in small increments. Inertia, as discussed in the management literature, explains why organisational behaviour and norms can prevent change.<sup>50</sup> The actors embedded in these organisational norms and environments also shape the forces of strategic change in organisations.

As Larsen and Lomi note, ‘organisational inertia – like performance – is a relative, rather than an absolute concept and questions arise about how fast established organisations can change to address current needs and capture or build new resources’.<sup>51</sup> They suggest that the same characteristics that give organisations ‘a survival advantage’ also make them relatively inert. One such characteristic, structural inertia, may reduce the number of change attempts within the organisation over time and can lead to decreased performance of the organisation.

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<sup>49</sup> This is explained in Sastry (1997), op cit., above at n. 48 and A.Y. Lewin and H.W. Volberda, ‘Prolegomena on Coevolution: A Framework for Research on Strategy and New Organisational Forms,’ *Organization Science*, 1999, Vol. 10, No. 5, Focused Issue: Coevolution of Strategy and New Organisational Forms (Sep-Oct 1999), pp. 519–534.

<sup>50</sup> According to M. A. Sastry’s model, inertia builds up in organisations over a period of time, in particular after changes to strategic orientation. Organisational members converge around norms and behaviour that have been established by organisational members, which become more difficult to break and create more inertia as the organisation develops. The effect of convergence may increase employees’ ability to learn a new skill or increase their competence in applying a new policy. However, should the strategy be a poor fit, employees may learn skills and build competence in ways that eventually negatively affect organisational performance. Sastry (1997), op cit., above at n. 48.

<sup>51</sup> E. R. Larsen and A. Lomi, ‘Resetting the Clock: A Feedback Approach to the Dynamics of Organisational Inertia, Survival and Change’, *The Journal of the Operational Research Society*, 1999, Vol. 50, No. 4, Systems Dynamics for Policy Strategy and Management Education (April 1999), pp. 406–421, at 407.

Structural inertia can be highly prevalent in centralised IO governance structures, such as organisational Executive Boards. International organisations' structure and function are largely determined by their governance structures.<sup>52</sup> Governance structures, as powerful political institutions, act as policy monopolies,<sup>53</sup> or dominating structures in political decision-making processes within IOs. Policy researchers have previously argued that these institutions are endogenous to the policy process.<sup>54</sup> This study applies this view, but also considers the strengths and weaknesses of these institutions in the change process.

Over the last fifty years, institutional forum events within IOs became highly formalised and were led by actors within organisational governance structures over the last fifty years. Many of these structures have been replicated within IOs over time.<sup>55</sup> Not only do these institutional governing structures determine many of the key policies and programmes of the organisation's work, but they can also inhibit or accept new actors that were previously ignored into an organisational system.

Should these governance structures keep decision making tightly controlled and confined to governmental actors, a 'governance gap' can be created. This creates a 'governance gap', which considerably impairs 'the capacity of international governance systems to deal with urgent problems and impede some actors' opportunities to participate in public policy-making'.<sup>56</sup> These structures usually serve the purpose of

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<sup>52</sup> The larger debate in international relations and sociology on the relationship between structure and function is recognized, but these disciplines are not the subject of this study.

<sup>53</sup> Policy monopolies are monopolies on 'political understandings concerning the policy of interest, and an institutional arrangement that reinforces that understanding'. They have two distinct characteristics: 1) 'a definable institutional structure is responsible for policy-making, and that structure limits access to the policy process' and 2) 'a powerful supporting idea is associated with the institution'. Baumgartner and Jones suggest that once these monopolies are established and decisions routinised, 'the issue will fade from the public agenda'. In Baumgartner and Jones (1993), *op cit.*, above at n. 2, at 6-7 and 86.

<sup>54</sup> See, for instance, F. Baumgartner and B. Jones (eds), *Policy Dynamics*, London, University of Chicago Press, 2002.

<sup>55</sup> This would support Powell and DiMaggio's theory of institutional isomorphism, which explains why institutions have similar structures. See P. J. DiMaggio and W. W. Powell, 'The Iron Cage Revisited: Institutional Isomorphism and Collective Rationality in Organisational Fields', 1983, *American Sociological Review*, Vol. 48, pp. 147—160. Although institutional isomorphism offers insights to explaining governance structures' behaviour and structure over time, are seen to be a necessary but not sufficient condition to enacting strategic change in organisations. A. Chandler's idea that successful aspects or organisations as a whole are replicated may also help explain why IOs have similar structures and behaviour in the CPF. See A. Chandler, *The Visible Hand*, Cambridge, MA, Harvard University Press, 1977.

<sup>56</sup> V. Rittberger and T. Brühl, 'From International to Global Governance: Actors, Collective Decision-Making and the United Nations in the World of the Twenty-First Century', in V. Rittberger (ed), *Global Governance and the United Nations System*, Tokyo, United Nations University Press, 2001, at 21. Rittberger and Brühl suggest there are four kinds of governance gaps: jurisdictional, operative,

forming policy and minimising complexity in decision-making procedures. As a result, IO member states largely determine decision outputs in IOs. Member states also rely on the centralisation and interdependence of such structures to advance their political agendas.<sup>57</sup>

Forum bodies in the UN take decisions, on the whole, by consensus-based voting. As a result, decision-making procedures have become routine and structured in policy-making forums. This raises two important points. The first is that policy structures are an attempt to manage complex decision-making processes on complex issues. As Eisenhardt and Martin suggest, routine decision-making procedures reflect a linear sequence of problem-solving steps that ‘begin with comprehensive collection of data, followed by development of alternatives, extensive analysis of those alternatives, and choice’.<sup>58</sup>

Second, Eisenhardt and Martin (2000) suggest that the more participants gain experience with such routines, the more they become sustained and inertial. This supports Sastry’s explanation of routines in organisations, which can be a predictor of poor performing organisations. To counter such inertial forces, Eisenhardt and Bhatia (2000) note that the organisation has to assess the optimal level of structure in order to function in dynamic environments (or in the private sector, markets).<sup>59</sup>

As discussed in the table below (Table 3.2), the nature and type of governance structure of each forest-related organisation varies to a certain degree. Differences can include access of non-governmental stakeholders to decision-making, subsidiary bodies used for technical discussions and the scale of the institution. However, the institutions are more isomorphic, or similar, in their structure and composition since they conduct the same types of decision-making processes and involve organisational member states as the primary actors in key decision-making processes. An overview of governance structures in some international forest-related organisations is provided below:

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participatory and incentive gaps. They purport that participatory gaps have an effect on input legitimacy while jurisdictional, operational and incentive gaps have an effect on output legitimacy.

<sup>57</sup> See, for instance, K.W. Abbott and D. Snidal, ‘Why States Act Through Formal International Organizations’, in P.H. Diehl (ed), *The Politics of Global Governance*, Second Edition, London, Lynne Rienner Publishers, 2001. The Abbott and Snidal suggest that the emphasis on efficiency is reflected in centralisation and independence, as suggested in Coase’s (1937) theory of firms.

<sup>58</sup> Eisenhardt and Martin (2000), op cit., above at n. 32, at 111.

<sup>59</sup> In K. Eisenhardt and M. Bhatia, ‘Organizational Complexity and Computation’, in J. A. Baum (ed), *Companion to Organizations*, Oxford, Blackwell, 2000.

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## ORGANISATIONAL GOVERNANCE

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### Food and Agriculture Organization of the UN (FAO)

The highest decision-making body is the FAO Conference. Which is made up of representatives of FAO's 184 members. The Conference meets every two years to review the state of food and agriculture and approve the biennium Regular Program of Work and Budget for FAO's eight departments, including the FAO Forestry Department.

The FAO Council serves as the main working body of the Conference. It is made up of 49 members elected for 3-year rotating terms. Subsidiary to the Council are six standing committees, which meet every two years, involve all members, and provide recommendations to Council on specific programs. Among them, the Committee on Forestry (COFO) deals with all forestry-related matters pertaining to FAO. FAO also has several sub-committees, expert panels and commissions, such as the Advisory Committee on Paper and Paper Products and the Expert Panel on Forest Genetic Resources. In addition, ad hoc bodies, consultations and expert groups are convened as needed, to provide advice on specific issues.

### UN Forum on Forests (UNFF)

The UNFF reports directly to ECOSOC. It has universal membership; that is, all state members of the UN or its specialized agencies are members of UNFF. The Forum is authorized to convene ministerial sessions, as well as ad hoc expert groups of limited duration to provide scientific and technical advice and consider 'mechanisms and strategies for the finance and the transfer of environmentally sound technologies'.

The 2nd session of the UNFF (March 2002) included a ministerial segment, which issued a *Ministerial Declaration and Message from the UNFF to the WSSD*. Ministers agreed to meet again in 2005 to review the effectiveness of the UNFF. Like the IPF/IFF, the UNFF is encouraging country sponsored intersessional initiatives such as international expert meetings. For instance, in November 2001, Japan sponsored, with ITTO participation, an intersessional on forest monitoring, assessment and reporting (MAR).

A key feature associated with UNFF is the Collaborative Partnership on Forests (CPF), an innovative collaborative effort composed of the heads or senior representatives of 13 international organizations and convention secretariats, including FAO (chair), ITTO, UN Development Programme, UN Environment Programme, CBD, CCD, UNFCCC, the World Bank, Centre for International Forestry Research, International Union for the Conservation of Nature and the Commission on Sustainable Development. As successor to the informal Interagency Task Force on Forests (ITFF) established to support the work of the IPF/IFF, the CPF is intended to facilitate and promote coordinated and cooperative action among member agencies, taking guidance from and reporting to the UNFF.

### World Bank

The governing body of the World Bank Group and its subsidiary institutions is the Board of Governors, which consists of 184 member countries and meets annually in joint sessions with the IMF Board of Governors. Subsidiary institutions, including IBRD and IDA, are governed by Boards of Directors or Councils representative of respective memberships and based in Washington, DC.

### Global Environment Facility (GEF)

The governing body is the GEF Assembly, which meets every three years and is open to all GEF participants. GEF participants are grouped in 32 'constituencies', of which 16 comprise developing countries, 2 comprise countries with economies in transition, and 14 comprise donor countries. Reporting to the Assembly is the GEF Council, which is made up of 32 members representing the 32 GEF constituencies and is responsible for project approval and financing under the four focal areas, establishing the program of work and budget, and monitoring and evaluating GEF policies. The Council meets annually. Subsidiary to the Council is the Science and Technical Advisory Panel (STAP), which is supported by UNEP and advises

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the Council on scientific and technical matters.

**Convention on International Trade in Endangered Species of Flora and Fauna (CITES)**

The CITES governing body is the Conference of Parties (COP), which meets about every three years in a member country. The COP decides species listings and the triennium budget and program of work. The CITES Standing Committee meets in the interval to formulate recommendations on various topics. CITES also has a standing Plants Committee and Animals Committee, which meet annually to provide technical advice to the COP on species that are or might become subject to CITES trade controls. The COP establishes *ad hoc* working groups as needed to consider specific issues.

**Convention on Biological Diversity (CBD)**

The CBD governing body is the COP, which is open to all parties and meets every two years in a member country. The Subsidiary Body on Scientific, Technical and Technological Advice (SBSTTA) is also open to all parties and meets twice between COPs. The COP has convened a number of *ad hoc* bodies, including small expert panels of limited duration and large open-ended working groups, to consider specific issues relevant to the convention. Participation in CBD expert panels is by invitation. Participants are drawn from a 'roster of experts' nominated by governments and maintained by the Secretariat. Two expert panels on forests, hosted by Canada and the UK, were convened in 2001. The CBD also has established and maintains an internet based Clearing House Mechanism to facilitate information sharing among members and facilitate technical and scientific cooperation.

**UN Framework Convention on Climate Change (UNFCCC)**

The governing body is the COP, which meets annually. Like the CBD, the UNFCCC has a single Subsidiary Body on Scientific and Technological Advice (SBSTA) open to all parties, as well as *ad hoc* expert panels of limited size drawn from a roster of experts to look at specific issues, and various working groups. It also has a Subsidiary Body on Implementation (SBI), which assists the COP in the assessment and review of implementation of the Convention. Associated with the UNFCCC is the Intergovernmental Panel on Climate Change (IPCC), established in 1995 by WMO and UNEP to assess scientific, technical and socio-economic information relevant for understanding the risk of human-induced climate change. The Intergovernmental Panel on Climate Change provides advice to the COP on these matters.

**UN Convention to Combat Desertification (UNCCD)**

The CCD governing body is the COP, which is open to all parties and meets every two years. The Committee on Science and Technology (CST) is open to all parties, meets in conjunction with the COP and provides advice. Like the UNFCCC, the COP has established a Committee to Review Implementation of the Convention and a Roster of Independent Experts nominated by governments to consider specific technical issues relevant to the Convention.

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Table 3.2 Governance of some international forest-related organisations (from S. Caswell and R. Guevara, ITTC(XXXIII)/6/Rev.1, 18 March 2003)

As seen in the above chart, the Convention on International Trade in Endangered Species, CBD, FCCC and Convention to Combat Desertification all have Conference of the Parties (COP) structures that take decisions for organisational and programme work. Similar to the COP structures, the FAO, ITTO, World Bank, UNFF, and GEF have Council or Assemblies to take decisions on important issues. These COP and Council-

like decision making structures tend to consist only of organisational member states, in an effort to limit the number of actors in the decision-making process.<sup>60</sup>

However, due to the steep increase in stakeholders in the UN system in the 1990s, the form of some IO governance structures changed across a number of IOs.<sup>61</sup> IOs are becoming more network-based, having to cope with changing governance patterns due, for instance, to the rise in the variety of stakeholder interests. This has resulted in the creation of new participatory structures, such as Multi-stakeholder Dialogues (MSD) and advisory groups when policy decisions are being taken.<sup>62</sup>

Within the UN Secretariat, the MSD has emerged as a participatory tool in organisations affiliated with the Commission on Sustainable Development (CSD). MSDs originated in the CSD and represent specific groups of NGOs, women, industry, business and indigenous people. Currently, this is a formal part of the UNFF. MSDs help to move global processes forward and contribute to the content of decisions in policy and strategy.<sup>63</sup> However, MSDs can also be limited in their influence, especially when collective action is not feasible within stakeholder groups or when stakeholder familiarity with global processes is low. Similar structures in the ITTO and World Bank exist, although the process of their participation is less formalised than the MSD.

The extent to which stakeholder participation occurs at the central organisational level versus at the field level depends on the type of participants in the organisational

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<sup>60</sup> Baumgartner and Jones (1993) suggest that 'where the nature of a policy community changes from small, consensual, and homogeneous to large, conflictual, and heterogeneous, the likelihood increases that a given issue will rise higher on the national political agenda'. Baumgartner and Jones (1993), op cit., above at n. 2, at 43.

<sup>61</sup> For instance, in its first two years alone, the UN Commission on Sustainable Development accredited 550 NGOs, while the UNCED accredited more than 1400. K. Conca, 'Environmental Organisations and the UN System', in T.G. Weiss and L. Gordenker (eds), *NGOs, the UN and Global Governance*, London, Lyne Rienner Publishers, 1996, 103—119, at 107.

<sup>62</sup> Similarly, the corporate sector has worked to address stakeholder participation in its work. Andriof et al (2002) note that involving stakeholders in corporate activities as a matter of social responsibility was discussed in academic works as early as the mid-1950s. Since that time, corporate-centric attitudes toward the management of stakeholders has shifted, and has recently begun to focus on the importance of the relationships companies have with stakeholders. As such, they move toward a 'network-based, relational and process-oriented view of the company.....where there is at least consideration of mutuality, interdependence and power'. See J. Andriof, S. Waddock, B. Husted, and S. S. Rahman (eds) *Unfolding Stakeholder Thinking: Theory, Responsibility and Engagement*, Sheffield, Greenleaf Publications, 2002, at 19.

<sup>63</sup> Multi-stakeholder dialogues play different roles on UNDESA and the UNCSD. While the MSD in UNDESA will be discussed in the empirical work, the MSD in the CSD will not. For a further discussion on the MSD in the CSD, see M. Hemmati, *Multi-stakeholder Processes for Governance and Sustainability: Beyond Deadlock and Conflict*, London, Earthscan, 2002, pp. 128—131.



governance structure and the type of decision-making involved. Some IOs see little need to increase the information obtained from local and national stakeholder groups during strategic exercises when the organisation or its members perceive performance as satisfactory or threats to the organisation are low. However, when threats to the organisation or department are high, loose governance structures, such as those in stakeholder networks, may emerge as modes of participation in policy and strategy making.

This raises an important point about the changing nature of governance in organisations. The existing governance structures in IOs are insufficient to address the scale and nature of global problems and the implementation of actions that attempt to solve them. Thus, the current range of governance structures may need to be reformed. Held (2004) calls for a new social democratic polity that could include 'different types of political engagement on a continuum from the local to the global, with the local marked by direct and participatory processes, while larger domains with significant populations are progressively mediated by representative mechanisms'.<sup>64</sup> As will be explained in the empirical work, such an approach is possible, but usually involves high transaction costs, which may be out of the financial reach of some IOs.

Nevertheless, the types of participation schemes in IO strategic processes have a considerable impact on policy and strategy outputs. Sometimes, the more formal and structured participation becomes, the less effective it is in influencing key ideas and process emergence in organisations. This conclusion is drawn from studies of decision-making on the Kimberley Process, a compliance mechanism used to prevent the mining and exporting of conflict diamonds, which suggest that early informal lobbying influenced outcomes of the decision-making process.<sup>65</sup> If non-governmental stakeholders are the main actors helping to operationalise ideas for a new strategy or policy, structured stakeholder participation can create greater levels of inertia in the organisational system. Structured participation prevents rapid change from occurring, as member states and other stakeholder must adhere to organisational rules and procedures. Especially if actors are new, structured participation will create large levels of inertia on system behaviour and limit the overall effectiveness of non-governmental stakeholder

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<sup>64</sup> Held (2004), op cit., above at n. 1, at 109.

<sup>65</sup> B. Reinalda and B. Verbeek (eds) *Decision Making Within International Organizations*, London, Routledge, 2004.

participation. In the 1990s and early 21<sup>st</sup> century, structuration of stakeholder participation in international organisations has typically worked in favour of the dominant coalition, in this case powerful IO member state actors.<sup>66</sup>

Conversely, the more loose and localised participation, the more it may affect the output of a strategic change.<sup>67</sup> Tushman, Anderson, and O'Reilly (1997) note that in organisations, such participation exists in entrepreneurial units that are 'small, have loose, decentralised structures, experimental cultures, jumbled work processes, strong entrepreneurial and technical competencies and a relatively young and heterogeneous human resource profile'.<sup>68</sup> While such units do not officially exist in IOs, they could be compared to MSDs or other stakeholder groups that have the potential, if restructured, to radical change in an organisation.<sup>69</sup> Other explanations for the success of 'loose governance structures' are that they initiate reflection about the process of change, since they are separated from the routines of the organisation.<sup>70</sup>

Structural adaptation to changing patterns of governance differs across organisational environments. Regardless of whether formal structures for participation have been instituted in an organisation, many non-governmental and industry stakeholders have little power in decision-making in IO governance structures.<sup>71</sup> Many member states, however, note that NGO and other non-governmental actors have important and influential roles to play in determining policy outputs. Member states note the sometimes critical role non-governmental stakeholders have in advocating positions or conveying a sense of urgency on a particular issue area, and how member states and IOs

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<sup>66</sup> The manifestation of outcomes would reflect Giddens's concept of the duality of structure, where structure becomes the 'medium for and outcome of the social practice of the agent' and 'agent, action and structure are connected'. In L. B. Kaspersen, 'Anthony Giddens', in H. Anderson and L. B. Kaspersen (eds) *Classical and Modern Social Theory*, Oxford, Blackwell Publishers, 1996, at 382.

<sup>67</sup> This is suggested by Hendry and Seidl (2003) and explored further in the empirical chapters. See J. Hendry and D. Seidl, 'The Structure and Significance of Strategic Episodes: Social Systems Theory and the Routine Practices of Strategic Change', *Journal of Management Studies*, 2003, Vol. 40 No. 1, January 2003.

<sup>68</sup> M. L. Tushman, P. C. Anderson, and C. O'Reilly, 'Technology Cycles, Innovation Streams, and Ambidextrous Organisations: Organisational Renewal Through Innovation Streams and Strategic Change,' in M. L. Tushman and P. Anderson (eds), *Managing Strategic Innovation and Change: A Collection of Reading*, Oxford, Oxford University Press, 1997, at 14.

<sup>69</sup> Baumgartner and Jones suggest that 'issue definition' is the cause of stability and instability in political agenda setting. They note that issue definition and institutional control cause alternate behaviour of incremental and punctuated change in political systems. In Baumgartner and Jones (1993), op cit, above at n. 2, at 16.

<sup>70</sup> See J. Hendry and D. Seidl (2003), op cit., above at n. 67.

<sup>71</sup> This is also supported by work in decision-making studies. Reinalda and Verbeek (2004), op cit., above at n. 65.

react to pressure from external stakeholders.<sup>72</sup> In the forest issue in particular, historical perceptions about the role of NGOs in the mid- to late-1980s have shaped IO member states' current perceptions of their role in decision-making processes.

In formal policy or strategy formation processes, non-governmental stakeholders can help infuse new ideas into the policy and strategy outputs. Where early participation by a wide range of stakeholders occurred in the beginning of the strategy or policy-making process, such participation induced transformative change. Where participation occurred later in the processes, especially in formal governance structures, non-governmental stakeholders had little effect on the outputs due to high levels of inertia present in the organisational system.<sup>73</sup>

One of the main reasons why non-governmental stakeholders can help influence the agenda in the early stages of the strategy or policy-making processes is because they are often the implementers of project work, or have a stronger grasp of on-the-ground activities. Thus, may be in a better position to provide accounts of organisational programme, policy or project performance. Depending on how organisations set their performance criteria, non-governmental stakeholders can be particularly effective in starting an organisational change process if reporting is weak or criteria unclear. Especially where threats to performance emerge from stakeholder objections to organisational activities, the direct interaction between organisational (or appointed consultants) with non-governmental stakeholders can have an immediate and powerful impact on non-governmental stakeholder input on policies and strategies. The relationship between governance gaps and its influence on performance assessments is described below.

### ***Performance Gaps and Strategic Response***

Performance in organisations can initiate strategic change in IOs. Poor performance in organisations can contribute to organisational actors' willingness to start the change process. The current problem, however, is how to measure performance in IOs, as many researchers and practitioners have devised their own approaches to

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<sup>72</sup> L. Flejzor, from a semi-structured interview with Interviewee #54, Session A.

<sup>73</sup> Reasons as to why inertia is created include: to establish norms so that it is difficult to deviate from precedent setting activities and decisions and to build a particular culture, usually one that works in favour of the hegemonic forces of the organisation.

measure performance.<sup>74</sup> Due to lack of information or inability to process the wide variety of performance measurements, organisations often suffer from a performance gap.

Management scholars acknowledge the sometimes scarce information on the performance gap in organisations. For instance, Hage (1980) suggests that the lack of a measure of performance contributes to lack of information on the level of performance, and that it is the perceived rather than the actual performance that usually enacts change.<sup>75</sup> He notes that it is difficult for organisations to adopt both short and long-term measures of performance. When separate operations and long range planning offices are included in organisations, it becomes more difficult for the dominant coalition in the organisation to measure performance.<sup>76</sup> As explained in the empirical work, this is somewhat true in IOs where measures of performance for IO policies are largely driven by perceptions of performance rather than established performance data on a given strategy or policy.

If organisational performance is poor, organisational members begin to observe negative feedback expressed in reports, evaluations, financial data, or other informal means. Financial targets are among the most widely used indicators of performance in private sector organisations, but recent research has included operational effectiveness as an important indicator, in addition to financial performance.<sup>77</sup> To achieve sufficient financial and operational performance, strategic planning has recently been utilised as a planning tool in IOs.

In a UN programme cycle, which consists of strategic planning, programme and budget, work planning and monitoring, and evaluation and reporting, the strategic planning process is only one component of a programme's overall success. An effective strategy designer needs to think about how the other components of the

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<sup>74</sup> This is true even in private sector organisations. See, for instance, N. Venkatraman and V. Ramanujam, 'Measurement of Business Performance in Strategy Research: A Comparison of Approaches', *The Academy of Management Review*, 1986, Vol. 11, No. 4 (October 1986), pp. 801—814.

<sup>75</sup> J. Hage, *Theories of Organizations: Form, Process, and Transformation*, New York: John Wiley and Sons, 1980, at 213-214. Hage notes that the quicker a performance gap is identified, the less the amount of the performance gap and the greater chance of process innovation.

<sup>76</sup> Hage (1980), op cit. above at n. 75, at 216.

<sup>77</sup> Venkatraman and Ramanujam (1986), op cit., above at n. 74, at 803. Venkatraman and Ramanujam note that the combination of financial and operational indicators as measures of performance help focus operational aspects that may lead to financial performance. Ibid, at 804.

programme cycle will be addressed in the near, medium and long-term application of the proposed strategy.<sup>78</sup> Strategic planning can help reduce uncertainty in organisational environments, and serves as a performance programme for the organisation.<sup>79</sup> A previous strategic plan can help gauge whether goals and targets, created by an organisation's members, are met. Strategic plans can provide important qualitative and quantitative targets of goal achievement.

In the mid-1990s, the UN Secretariat established a strategic planning unit designated exclusively for the generation of new ideas and implementation of improving the application of strategy across the UN system.<sup>80</sup> At the time, a number of IOs had established programme and budget positions, offices or formal strategic planning units to assist organisational strategic planning efforts, including in the World Bank and FAO. The proliferation of strategic planning and strategy techniques were and are considered an important step in institutionalising organisational routines and performance measurements, even though these may eventually lead to the creation of 'defensive routines' in the organisation.

In a 1994 report, the UN Joint Inspection Unit (JIU), the primary analytical body to streamline and improve management of UN organisations, encouraged the use of strategic planning in UN system organisations. The report noted that strategic planning, 'moves away from traditional hierarchical management to emphasize responsiveness to the public, high-quality services, more creative use of staff, and an ongoing planning process that emphasises the organisation's mission and values.'<sup>81</sup> The UN JIU also issued a report in 2003, indicating that there is a strong linkage to a well-developed

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<sup>78</sup> Strategy in IOs can be entitled a 'plan of action', 'strategic framework', 'medium-term plan', 'multi-year programme of work' (MYPOW) and 'strategic plan.' Practices within the UN system on strategy are mixed – sometimes 'strategic plans' are linked to medium-term plans, and in other cases strategic plans are a stand-alone mechanism.

<sup>79</sup> J. Dutton and R. Duncan, 'Influence of the Strategic Planning Process on Strategic Change', *Strategic Management Journal*, 1987, Vol. 8, No. 2, Mar-Apr, 1987, pp. 103–116, at 105.

<sup>80</sup> UN Joint Inspection Unit (JIU), 'Accountability, Management Improvement and Oversight in the United Nations- Part I: Overview and Analysis', prepared by A. Abraszewski, R. Hennes, K. Martohadinegoro, and K. I. Othman, JIU/REP/95/2, Geneva, United Nations, 1995, available at <[www.unsystem.org/jiu/en/reports.htm#1995](http://www.unsystem.org/jiu/en/reports.htm#1995)>. One of UNSG Annan's reform measures was to create a strategic planning unit in the UN to implement existing reform measures and stimulate new ideas for UN policy and management. At the same time, he encouraged the use of strategy in individual organisations. However, there is limited guidance within the UN on how to conduct strategy in individual organisations.

<sup>81</sup> UN Joint Inspection Unit (1995), op cit., above at n. 80, at 29.

strategic framework and applicability to budgetary processes.<sup>82</sup> The report suggests that the programme planning process can be improved by developing a stronger strategic framework and linking it to results-based budgeting, a technique used to improve programme management and fund sectoral programmes.

Results-based budgeting is a method of organisational budgeting that links a new or existing programme to the total cost and expected result of the programme over a two-year period. The UN defines results-based budgeting as a ‘methodology and format for developing budgets that focus on outputs and outcomes, using predetermined criteria set by Member States’.<sup>83</sup> This should lead to results-based performance reporting, which is a ‘format for reporting achievements to enable comparison between planned and actual outputs and outcomes, using performance indicators as a basis for measurement’.<sup>84</sup> At the end of the two-year cycle, the intended result of a programme would be measured against the programme’s actual outcome. Thus, results-based budgeting becomes a means by which organisations can gauge performance.

Such a planning technique is meant to stabilise planning and budget functions of the UN system over a two-year period, but also to help member states decide on subsequent programme funding levels and assist with their national budget preparations. It also helps to address the governance gap, by broadening the concept of accountability. This latter issue, as will be explained in the empirical work, has yet to be captured in results-based budgeting, but is being increasingly (albeit informally) captured in IO strategic change initiatives. The following captures the unique elements of results-based budgeting (Box 3.3):

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<sup>82</sup>UN JIU, ‘Review of the United Nations Budgetary Process’, prepared by Victor Vislykh, M. Deborah Wynes, and Muhammad Yussuf, JIU/REP/2003/2, Geneva, Joint Inspection Unit, 2003, available at <[www.unsystem.org/jiu](http://www.unsystem.org/jiu)>.

<sup>83</sup> United Nations, ‘Renewing the United Nations: A Programme for Reform, Report of the Secretary General, Addendum: Results-Based Budgeting’, Fifty-Second session, A/51/950/Add.6, 12 November 1997.

<sup>84</sup> UN (1997), op cit., above at n. 83.

### **What is results-based budgeting?**

The key identifying feature of results-based budgeting is that the emphasis is on the outputs to be produced (reports, studies, conferences, etc.) and consequent outcomes as opposed to input budgeting where the defining feature is an emphasis on the inputs (staff, materials, equipment, etc.). The orientation towards either outputs or inputs is important at all stages of the budget process (programming, budgeting, implementation, monitoring and evaluation). However, the most important determining factor here is the initial budget proposal stage as this sets the output pattern and framework for all subsequent stages. (Para 3)

Results-based budgeting when carefully designed and implemented does not relax accountabilities. It moves the focus of accountability away from compliance with rules about the administration of inputs to one in which accountability is focused on producing the desired output and managers are held accountable for determining the optimal input mix within their budgets. It makes the programme manager responsible and accountable for his or her outputs and consequent outcomes, while making the task more interesting and challenging and allowing for innovation. (Para 10)

The Secretary-General recognizes that a shift to results-based budgeting would have a number of implications across the Secretariat. To work effectively it would require greater delegation of authority and responsibility to programme managers and thus a decentralized management structure. Programme managers would be required to produce least-cost outputs, in accordance with pre-approved performance dimensions. They would therefore be able to control the input 'mix'. This would require a change from the current centralized management of resources. (Para 19)

Since a key aspect of accountability for results is transparency of performance information, management information systems would need to be able to provide improved analytical tools for the monitoring and evaluation of outputs and outcomes. This would require establishment of well-defined information systems to support results-based performance reporting. (Para 20)

The creation of a results-based budgeting framework would represent a substantial shift away from input control to the management of resources for delivery of the required outputs. It would also require a shift in the management culture of the organisation as a whole. (Para 21)

Box 3.3 Aspects of Results-Based Budgeting (excerpts taken from A/51/950/Add.6)<sup>85</sup>

In the mid-1990s, IOs such as the International Atomic Energy Agency and the World Health Organisation formed organisational and programme budgets based on results-based budgeting. They did this, however, alongside strategic plans that identified the organisation's medium-term objectives. 'Medium Term Plans' were a typical management technique to provide overarching guidance and direction to departments as well as to anticipate the medium and near-term work of the organisations. Such plans, however, did not always result in the anticipation of new or crisis issues. As a result, the international organisations had to find other ways to manage these issues using, for example, contingency plans. It seemed that when emerging issues, crisis situations or

<sup>85</sup> Ibid.

funding shortfalls occurred outside the scope of the medium-term plan or biennial budget, new informal strategies emerged.

Regardless, it would be impossible to plan for every issue emerging in a thematic area within a medium or long-term plan due to the uncertain and changing nature of global problems and organisational capacities. International organisations have varying financial and human capacities when gathering information for planning, and their stakeholders often have divergent views as to how to manage technical global problems, such as forests.<sup>86</sup> The level of technical expertise of planning staff and the stakeholders with whom they work can determine the implementation feasibility of the plan in question. This latter issue becomes an important part of the planning cycle.

Implementation plans for strategies are rarely developed in IO strategic change processes, especially in those IOs with limited capacity to successfully implement a full UN planning cycle. Yet, implementation becomes the basis by which strategic change outputs are evaluated against outcomes. Monitoring and evaluation tools in organisations are designed to help assess implementation effectiveness, but are often not present or adequately developed. The less the organisation knows about what went wrong in previous efforts, the less it will be able to improve future change outputs.

Since many IOs have limited or no capacity to conduct monitoring and evaluation activities or full implementation assessments, concrete implementation outcomes have only somewhat contributed to recent strategic change efforts in IOs. During strategic change initiatives, IOs find ways to overcome insufficient assessments of implementation (of a previously existing policy or strategy) by closing the governance gap and strengthening performance using a variety of approaches. Since the use of strategy and planning in IOs is a relatively new phenomenon, the negative or full implications of implementation outcomes and its link to performance may not yet be realised. However, when strategic change ceases to become a new phenomenon in organisations, assessments of implementation will become ever more important to sustaining effective organisational performance in the long-term.

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<sup>86</sup> The divergences over how to implement the sustainable management of forests at the local, regional and global levels is not the focus of this work, as the strategic change initiatives studied in this thesis focus mostly on operational and policy-oriented themes of forests, rather than on their technical aspects. Yet, better understanding and planning for the technical aspects of forests will have a clear impact on a strategic change's outcome. As a result, follow-up studies on the implementation and outcome of strategic change initiatives merits further investigation.



Many IOs at present cope with planning in ad hoc ways. Current UN guidance on organisational management discusses the importance of engaging stakeholders in the strategy formulation process; the empowerment of managers; and accountability of managers to others in the IO.<sup>87</sup> Outside of this guidance, no particular approach or technique has emerged as a best practice or preferred technique for developing strategy in the UN system. Additionally, practitioners have argued that the insights they have received from private sector consultants about strategy development in the UN have been impractical and not feasible.<sup>88</sup> It is clear that the UN system organisations' experience with strategy in the 1980s and early 1990s has been a mostly centralised process, drafted by internal organisational stakeholders. A select analysis of strategic change processes in IOs will explain why strategic changes occurred and elucidate the efforts needed to close the governance and performance gap in IOs.

### **3.4 Conclusions**

This chapter explained the forest issue area in its historical and contemporary contexts. It also explained two important organisational characteristics that affect the strategic change process: organisational inertia and performance. The analysis of strategic change at the organisational level is needed to show that political events alone do not account for strategic change outputs and how inertia and performance also affect change outputs.

During May 1994—May 2005, political and technical forest related events fluctuated and then peaked around 2003. However, such events did not directly contribute to the strategic changes of the IOs studied in this work, as such change processes were influenced by many organisational factors. As IOs were facing a greater range of pressures at the national and local levels, organisational strategies and policies were redesigned to increase their organisational operating and political effectiveness. In the forest-related IOs, the World Bank, FAO, ITTO and UNFF all experienced some type of strategic change during May 1994—May 2005.

Yet, the reasons for strategic change hinged on certain governance and performance indicators in each IO. The changing style of governance in IOs coupled with managerial

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<sup>87</sup> UN JIU (1995), *op cit.*, above at n. 80.

<sup>88</sup> L. Flejzor, from semi-structured interviews with Interviewee #1, Session A and Interviewee #18, Session C.

guidance from the UN system led to an increase in the need for formal strategic planning cycles in IOs. This had implications for governance structures and measures of performance in IOs, some of which have yet to be realised. The empirical work will show how the variety of governance structures and ad hoc measures of performance impacted the type and process of strategic change in four forest-related IOs.

The next four chapters present the empirical case studies for the work. They illustrate the ways organisations have overcome inertia and used performance as a way to move forward strategic change initiatives. As will be shown, the organisational actors' perceived importance of accountability, financial returns and adherence to routines were particularly important in deciding the type of strategic change in each of the four organisations.

The first two case studies focus on department-led, transformative strategic change processes, when organisations are faced with threats to performance. These case studies focus on the World Bank and the FAO. The second two case studies focus on time-bound, political responses to dominant organisational governance structures. These latter case studies focus on the ITTO and the UNFF. These case studies will be followed by the third part of this thesis, which presents the comparative results of the study and its conclusions.

## PART II:

### **ENACTING CHANGE USING STRATEGY: EMPIRICAL TESTS OF PUNCTUATED CHANGE**

The next two chapters present empirical work on strategic change in two forest-related international organisations, the World Bank and the Food and Agriculture Organization (FAO). Both organisations experienced significant threats to departmental performance during the mid-1990s. As a result, employees, and in particular the leadership within each organisation, supported breaks with organisational norms and routines to create radically new strategies for organisational forest work. Chapter Four focuses on the reorientation of the World Bank's Revised Forest Strategy and Operational Policy, which involved significant strategic process innovations to bridge the Bank's governance gap, with a view to increasing programme performance. Chapter Five of this thesis explains how threats to the FAO's organisational credibility, due to the 'failed' Tropical Forestry Action Plan, drove organisational managers to devise the first FAO Forestry Strategy. Both case studies show how sustained leadership, loose organisational structures, policy entrepreneurship, and successful information feedback were necessary to enact transformational strategic change when each organisation faced poor programme performance.

## CHAPTER FOUR: THE WORLD BANK REVISED FOREST STRATEGY AND POLICY<sup>1</sup>

This chapter provides an account of the process by which significant change occurred to the World Bank's 1991 Forest Strategy and 1993 Forest Policy, resulting in the 2002 Revised Forest Strategy and Policy. The divergent outcomes of the 1991 Strategy / 1993 Policy and the 2002 Strategy and Policy were due to a number of factors, particularly leadership changes within the Bank, a new consultative information gathering process and time lags in document formulation. The process reveals how and why substantive changes, notably the lifting of the concessional logging ban in Bank sponsored projects, were made and how policy and strategy formation differed.<sup>2</sup> This paper presents evidence as to why the strategic approach used by the World Bank during the Revised Forest Strategy and Policy process allowed Bank staff to overcome strong, established norms and practices within the organisation. While this transformational strategic change was successful at the organisational sub-unit level, the unique but costly strategic process used by the Economic and Socially Sustainable Development (ESSD) Network is not likely to be replicated widely in the Bank.

The feedback behaviour in this strategic change process is key to understanding the role of new ideas and how they were infused into the Bank's new forest strategy and resultant policy. The formation of the strategy occurred in three separate feedback loops: two that were internal and confined to the staff within the organisation and a third that broke organisational norms and involved significant outreach to stakeholders. Two of these feedback loops established triggering effects, which had an impact on the strategic change output. However, feedback mechanisms in the policy process are weaker and display negative feedback behaviour, as policy activities were overtaken by strong

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<sup>1</sup> The strategy process explained in this chapter is part of a forthcoming book on the World Bank, which will be published by Routledge in 2006. See L. Flejzor (forthcoming) 'Explaining Change in the World Bank's Forest Strategy and Policy', in D. Stone and C. Wright (eds) *Wolfensohn's World: A Decade of Reform in the World Bank*, London, Routledge, 2006.

<sup>2</sup> It should be noted that the World Bank sponsors forest projects other than those related to logging. Traditionally, the World Bank has been utilized as a global development bank sponsoring projects for the building of large scale infrastructure, such as dams. In the 1980s and 1990s, when the Bank began to focus on environment, a team assigned to forests and forestry work emerged within the ESSD network. This team is responsible for the development and implementation of forests projects, including those relating to sustainable livelihoods, conservation of forest biodiversity, protected areas, payment for environmental services and forest governance. The team also develops thematic regional programmes, such as the regional forest law enforcement and governance processes, which have showed promising results in combating deforestation and illegal logging in South East Asia and Africa.

internal organisational norms and structures (which built inertial forces) during the latter part of the strategic change process.

In contrast to strategic change processes in the other empirical chapters, the content of the Bank strategy and policy documents contained significantly more NGO than Bank member state input. This was due primarily to changes in the strategy team's leadership, support from senior-level Bank staff, new ideas gathered from a variety of stakeholders, the need for increased legitimacy of the strategy with external stakeholders and evidence of poor financial performance on Bank forest projects. This new process caused negative reactions from Bank member states, including that the 'pendulum had swung in the opposite direction', by infusing NGO ideas into the strategy.<sup>3</sup> Nevertheless, the Bank's experiences with this new process showed how feedback generated from informal consultations may contribute to punctuated organisational change if loose governance structures are formed outside centralised and inert organisational structures.

Why and how was organisational inertia overcome to create transformational change in the Bank's 2002 Revised Forest Strategy and Policy? This chapter first explains how poor performance of the Bank's forest projects enabled Bank staff to review the 1991 Forest Strategy and 1993 Forest Policy. The second section discusses how initial attempts at establishing a strategic process failed, largely due to strong inertial forces in the organisation. It then explains how the new strategic process was established, and how Bank staff managed to work in internal and external organisational contexts to form a new strategy. The third section analyses the impact of organisational inertia during the formation of the new forest policy. The fourth section provides details about how Bank staff made the forest strategy and policy 'Bankable' by developing a Business Plan, which set new performance criteria for the revised documents. The final section analyses the overall strategic process and the dominant feedback loops that enabled transformational change in the Bank's new strategy and policy.

#### **4.1 ASSESSING STRATEGIC PERFORMANCE**

The World Bank's Executive Board approved a forest strategy in 1991, in response to public concerns about increasing global deforestation rates in the mid- to late-1980s. At this time, much of the blame for forest degradation lay with the forest industry. In an

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<sup>3</sup> L. Flejzor, from a semi-structured interview with Interviewee#13, Session B.

attempt to address this perceived negative impact on forests, the Bank formed a 1993 Forest Policy based on the 1991 Strategy, which included a ban on all concessional logging activities in Bank projects in tropical moist forests to curb deforestation rates. However, when the 1993 Bank Forest Policy took effect, the Bank's 'do no harm' approach to forest management had a 'chilling effect' in the years that followed.<sup>4</sup>

For example, the Bank was receiving negative feedback from those involved with the Planafloro (*Plano Agropecuário e Florestal da Amazônia*) project, which was established to rectify previous problems of the Polonoreste project in Brazil.<sup>5</sup> The Planafloro and Polonoreste projects attracted widespread public attention due to the continued levels of deforestation in the area and proposed project outcomes that never came to fruition.<sup>6</sup> Such project failures were having an impact on recipient countries' willingness to undertake new Bank forest work.

In addition to these failed projects, Bank staff also recognized that the 1993 Forest Policy was not relevant to all countries where deforestation was occurring, because it only addressed moist tropical forests. For instance, the former Soviet bloc countries were experiencing deforestation, but the Bank did not have the relevant policies in place to address them.<sup>7</sup> Thus, the 1991 Forest Strategy and 1993 Forest Policy were largely perceived as failures by country-level stakeholders and increasingly by Bank staff at the country-level.

At the central organisational level, however, many staff still believed that the 1993 Policy was having positive impacts, as Global Environment Facility (GEF)<sup>8</sup> lending was on the rise. The Bank continued to measure part of its performance during 1991—1999 on the increase in GEF project lending activity amounting to US\$370 million in forest

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<sup>4</sup> U. Lele, N. Kumar, S. Husain, A. Zazueta, and L. Kelly, *The World Bank Forest Strategy: Striking the Right Balance*, Operations Evaluation Department, Washington, D.C., The World Bank, 2000.

<sup>5</sup> Polonoreste was a large scale forest project in the Amazon, which was designed to construct gas pipelines through forest rich areas. However, the project led to wide scale deforestation and certain elements, notably the construction of the pipelines, were never completed. For more information on the Polonoreste project, see R. Wade, 'Greening the Bank: The Struggle over the Environment, 1970-1995', in D. Kapur, J. P. Lewis, and R. Webb, *The World Bank: Its First Half Century*, Washington, D.C., Brookings Institution, 1997, pp. 611—734.

<sup>6</sup> L. Flejzor, from a semi-structured interview with Interviewee #6, Session C.

<sup>7</sup> Ibid.

<sup>8</sup> The Global Environment Facility (GEF), although seen by staff in the Bank as 'a useful mechanism for testing innovative financing approaches, which... may lead to follow-up initiatives,' others outside the Bank note that GEF activity was largely used to offset IDA lending resources. See Wade (1997), op. cit., above at n. 5, at 710.

project activities in moist tropical forests.<sup>9</sup> This increase in lending was celebrated as a success story of the Bank's work in the forest sector until 1996.

Beginning in 1996, continued internal feedback on the Bank's poor performance in the forest sector helped to prompt change to the 1991 Forest Strategy and 1993 Forest Policy. This was due in part to the negative reports on the Forest Strategy in analytical reports, including those produced by the Bank's Operations Evaluation Department (OED). As early as 1996, OED studies indicated that the success of Bank forest projects were low and a full report by the OED in 2000 created a larger drive for changing the direction of the 1991 Strategy.

Bank staff concluded that its ban on concessional logging activities was not conserving many of the tropical forests it was set up to protect or addressing deforestation in areas without moist tropical forests.<sup>10</sup> Bank staff, in particular the Vice President and Head of the ESSD Network, took notice of the Bank's poor performance in the forest sector as early as 1997. That same year, World Bank President James Wolfensohn directed his staff to revise the forest strategy and policy with, many said, the intention of radically restructuring its contents.<sup>11</sup>

Additionally, many staff involved with the strategy and policy review process believed that new process approaches were needed, since the strategic process used to form the 1991 Strategy was cursory, reactive to non-governmental (NGO) concerns about deforestation, and did not discuss important definitions, such as the meaning of concessional logging. A number of factors encouraged the Bank to have a more thorough review process, rather than a 'simple desk review' of the strategy and analysis of the forest lending portfolio. These factors included: the nature of the 'Bank's involvement in the contentious forest sector; the changing environment affecting the 1993 Forest Policy; the Bank's move towards programmatic approaches to lending at the country-level; and the Bank's desire to direct a greater share of its resources to the local

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<sup>9</sup> J. Campbell and A. Martin, *Financing the Global Benefits of Forests: The Bank's GEF Portfolio and the 1991 Forest Strategy*, Washington, D.C., The World Bank, 2000.

<sup>10</sup> This is also supported by interviews with Interviewees #6, Session B; #8, Session A; #9, Session A and #15, Session A.

<sup>11</sup> L. Flejzor, from a semi-structured interview with Interviewee #49, Session A.

levels and to test innovative approaches to community-based interventions'.<sup>12</sup> Although it took some time to recognise that process as well as content changes were needed to the Forest Policy and Strategy, Bank staff were instrumental in helping continue the change process.

#### **4.2 CLOSING THE GOVERNANCE GAP USING NEW STRATEGIC APPROACHES**

The Bank's strategic approach was truly unique and unlike any other process in multilateral forest-related organisations. However, the strategy process did not begin this way. After the Executive Board's decision was taken to review the Forest Strategy and Policy, Bank President Wolfensohn initially appointed a strategy coordinator to lead the process and revise the Bank's revised strategy and policy. The new coordinator assembled an informal team composed of Bank staff, primarily from the ESSD, that had all been working on the forest issue for some time. These members met in an initial brainstorming session to discuss how the strategy might be approached, and expected the strategy process to conclude in about six month's time.

The Bank was in a 'transitional period' when the internal consultations began in October 1997. As one contributor to the forest strategy noted, '[the strategy and policy coordinator] didn't have a real forest team. The initial forest department, which had quite a lot of operational responsibilities, was dissolved. So we were a bit in limbo'.<sup>13</sup> Additionally, the Bank had just emerged from a larger reorganization during 1995-1996. Despite this lack of structure, a small five-person team of Bank staff was assembled to discuss possible strategic approaches.

Since 1997, the Bank's forest strategy team attempted to draw a distinction between a 'strategy' and 'policy' document and proposed a method by which the new documents would be written. At this time, Bank staff recognized that the 1993 Forest Policy was really a strategy, and they were uncertain as to how to make the ideas in the 1991 Forest Strategy more concrete.

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<sup>12</sup> From M. Sherman, *Forest Policy Implementation Review and Strategy: Consultation Process*, Informal document of the NGO and Civil Society Unit of the World Bank's Social Development Department, 2001, at 4.

<sup>13</sup> L. Flejzor, from a semi-structured interview with Interviewee #49, Session A.



Additionally, the ESSD Vice President and Network Head responsible for coordinating the strategy team did not have a high-level of trust in the Bank staff to carry out the strategy formation process.<sup>14</sup> There was also a low level of cooperation between team members.<sup>15</sup> In addition to questioning the staff's ability to manage the process to satisfy the Bank's organisational requirements, such as liaising with the Operational Policy office, the staff lacked clear guidance on how to form the policy and strategy. The Executive Board's decision, which provided a mandate to review the forest strategy and policy, did not contain any formal guidelines for creating the strategy or a budget for the strategy's formulation. Thus, it was left to the Bank staff to decide on the strategic approach for the revised forest strategy.

Despite this lack of clarity on the strategic process, a short consultation process was started in 1997 with 'Washington Beltway' NGOs and government representatives. The feedback from NGOs and governments included that there was no need to revise the 1993 Forest Policy.<sup>16</sup> This was largely because many NGOs did not want to see the Bank lift its ban on logging, even though World Bank analytical studies suggested it played a pivotal role in the failure of the 1993 Policy.<sup>17</sup> In all, the output of the 'Beltway' consultations provided mixed feedback on the 1991 Forest Strategy and 1993 Forest Policy. Overall, negative feedback was created in this phase of the strategic change process (Diagram 4a, below):

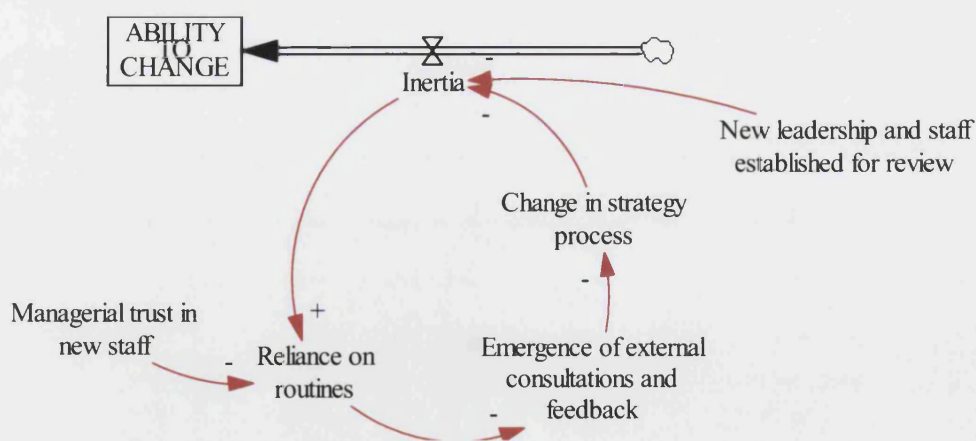


Diagram 4a: Negative Feedback in the Initial Bank Strategy Review. (source: the author)

<sup>14</sup> L. Flejzor, from semi-structured interviews with Interviewees #49, Session A and #6, Session A. These interviewees also noted that the ESSD Vice President also did not personally believe the forest issue was a high priority for the Bank.

<sup>15</sup> L. Flejzor, from semi-structured interviews with Interviewees #49, Session A and #6, Session A.

<sup>16</sup> L. Flejzor, from a semi-structured interview with Interviewee #49, Session A.

<sup>17</sup> This information was drawn from a semi-structured interview with Interviewee #50, Session B. The interviewee suggested that, in 1997, Conservation International was key in arguing against the lifting of the ban.

Based on this diagram, it is clear the first stage of the strategic review process had a balancing effect on the change process within the Bank. This is because inertia had been built up over the period 1993—1997 in the central organisational system. While a ‘new’ team was assembled to tackle the review process, organisational norms about forests and other practices within the Bank were strong, thus decreasing the organisational staff’s ability to change. Additionally, since the new strategy coordinator had a low ability of trust in other staff involved with the strategy and there was not a clear directive for the strategy process, this increased the staff’s reliance on old Bank routines of conducting limited outreach with stakeholders within the ‘Washington Beltway’.

Thus, the overall effect increased the inertial forces in the system.<sup>18</sup> Although there were some positive ideas that emerged from the early stages of this process, they were not enough to overcome the organisation’s low ability to change. For instance, the ESSD Vice President and Network Head at the time had a number of ‘big ideas’, which included the establishment of new partnerships: an alliance with the World Wide Fund for Nature; the CEO Forum on Forests; and a new group, Forest Trends. These ideas would prove influential as the second stage of the strategy began, which was marked by a change in forest strategy team.

In 1998, the arrival of a new ESSD Vice President and Network Head prompted the appointment of a new strategy coordinator, who was aware of the Bank’s internal administrative process and how to consult with a range of Bank offices in designing the new strategy. Additionally, it became clear to the new coordinator that a broader, two-year timeline was needed to complete the strategy and policy process. This challenged initial beliefs from the initially accepted Bank strategy staff, which believed that the process could be completed in four to six months. However, none of the Bank staff imagined that the entire strategic process would take nearly five years to complete.

***Overcoming strong norms due to ‘big ideas’, time lags and the Bank’s convening power***

Due to the Bank staff’s longer-term perspective on the strategy process, the new coordinator applied a different strategic approach. At first, Bank staff noted that it was

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<sup>18</sup> This series of positive and negative links in the causal loop diagram reflect the staff’s learning and socialisation process. In following M. A. Sastry’s model of punctuated organisational change, learning and socialisation increases inertial forces in the system. The higher the inertia in the organisational system, the lower the organisation’s ability to change. See M. A. Sastry, ‘Problems and Paradoxes in a Model of Punctuated Organizational Change’ *Administrative Science Quarterly*, 1997, Vol. 42, pp. 237—275.

incredibly difficult to find convergence on strategy ideas, since a number of new participants from other departments had no knowledge of forests or forestry. However, the new strategy coordinator was a strong enough leader to carry the team through the early formation process and helped the team gain credibility within the organisation. In 1998, the team first proposed a formal strategy process.<sup>19</sup>

During this new process, Bank staff initially met with a range of intra-organisational and other external stakeholders, including NGOs and governments.<sup>20</sup> At the conclusion of these consultations, it was clear that a much wider range of stakeholders would need to be included in the drafting of the strategy. As a result, the Bank hired two consultants from the International Union for the Conservation of Nature (IUCN) to conduct stakeholder consultations, at least one in each of the six main World Bank regions.<sup>21</sup> Regional Bank staff and other consultants took the lead in establishing and leading the external consultations, after it was suggested by the Bank's strategy team that such actors might have more success in gathering new ideas this stage of the process.

Finding the financial resources needed to implement the decentralised stakeholder consultations, however, was another hurdle the Bank's strategy team had to overcome. As one member of the team noted,

‘...if you wanted support from a region or country you had to pay them, but we didn't have the money. So there initially was no buy-in to the process. Whenever I wanted to integrate someone from the Africa region I had to pay him myself ...[and it] became difficult’.<sup>22</sup>

As a result, the team had to independently raise a large amount of funding for the Bank's new strategic approach before stakeholder consultations could be held.

Yet, the team members involved in fundraising believed in the ‘convening power’ of the Bank to acquire new funding. The Bank had convening power, some believed, because it had enough influence to get new policies and strategies passed through the Executive Board and enough to do solid on-the-ground work at the country level. Thus, there was a

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<sup>19</sup> L. Flejzor, from a semi-structured interview with Interviewee#49, Session A.

<sup>20</sup> L. Flejzor, from a semi-structured interview with Interviewee #49, Session A. As the interviewee noted, ‘there's no point in having a [revised] policy if the governments aren't on board’.

<sup>21</sup> These regions are Latin America and the Caribbean, Europe and Central Asia, Africa, South Asia, East Asia and Pacific, and the Middle East and North Africa. The consultations were also held at Bank headquarters for the North American region.

<sup>22</sup> L. Flejzor, from a semi-structured interview with Interviewee #49, Session A.

perception from the donor community that, despite the failings of the 1993 Forest Policy, Bank staff were capable of getting things done and successfully implemented.

Cooperation money not dedicated to lending activities – i.e. countries' trust funds located at the Bank- were used to fund the strategy and policy process.<sup>23</sup> During the fundraising process, the 'Forest Policy Implementation Review and Strategy (FPIRS)', became the official name associated with the strategy and policy revision process. The FPIRS focused on the consultative workshops and analytical work that would be done in support of the strategy document and then later the policy document. The outline of FPIRS events is presented below:

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<sup>23</sup> The trust funds used included those of the US, UK, Germany, the Netherlands, Norway, Switzerland, and Sweden. As one interviewee noted, 'the Bank's budget doesn't allow for too much cross-sectoral support. Then there's the operational budget, which not necessarily the Bank budget. Our policy work was basically funded from trust funds. The external consultations and analytical work -it all was funded from trust funds. The Bank funds salaries and travel..but nothing on the operational side'. (Interviewee #49, Session A) The lack of operational financing has negative implications for the way the Bank and other IOs conduct their process-related activities.

<b>1998</b>	
June-August	Arrangements made with IUCN, share process design and refine Assess analytical work needed Establish website and develop mailing lists
September –December	Consultations with donor partners and fund raising Briefing to the Board of Executive Directors Begin to commission analytical work Sustainable forest management workshop Complete terms of reference with IUCN Meeting with World Commission on Forests and Sustainable Development
<b>1999</b>	
January-June	Underlying causes of deforestation global workshop Analytical work and issues based meetings continue Bank participation in global discussions – e.g. International Forest Advisors Group Forests and Sustainable Livelihoods meeting Forest Law Enforcement Symposium Forest Market Trends workshop Ad hoc CEOs Forum NGO self selection process for IUCN and regional bank staff consultations
<b>2000</b>	
January	OED global workshop Indigenous peoples/local communities' workshop
February-May	NGO self selection process completed Nine regional consultations around the world <sup>24</sup> Nomination for Technical Advisory Group
June	First Technical Advisory Group meeting
July-September	Briefing of Board of Executive Directors Drafting of strategy and internal discussions
October-December	Disseminate draft strategy
<b>2001</b>	
January	Second Technical Advisory Group meeting

Box 4.1 Key Steps in the Forest Policy Implementation Review and Strategy Process. (source: World Bank, 2001)<sup>25</sup>

It may seem from the above chart the entire review process was thoroughly consultative, happened in a linear manner and based on a chronology of events. However, the process was much more complex, dynamic and non-linear than the above table suggests. The timing of some events above overlapped with others and many issues from these events were important during in the later stages of the document formulation. Other Bank and Bretton Woods institutions that do not appear in the above table were involved in the process as well.

The forest strategy team created this new strategic process, which enabled the Bank to successfully transmit new ideas and information from a decentralised to a centralised organisational level. It was possible to break organisational norms and central

<sup>24</sup> These include the IUCN-led consultations and the OED regional consultations.

<sup>25</sup> Sherman (2001), op cit., above at n. 12, at 4.

organisational control of the strategic process by combining the efforts of decentralised country level staff with external consultants, which gathered strategic inputs from a range of external stakeholders, at the global and country-level. As a result, suspended structures, or emergent networks of stakeholders formed through workshops and informal meetings, which allowed for open exchange of information, and convergence around new ideas for the revised forest strategy. Their informal structure generated a significant amount of new ideas, which diffused inertia levels within the Bank. The new ideas and feedback from the consultations were infused into the strategic process at the organisational departmental-level.

During the strategic process, it also became apparent that Bank staff were required to obtain OED 'buy in' to the process and conduct further analytical work. As a result, two separate processes emerged: the strategy development, which was largely dominated by consultations and analytical work, and the OED review of the 1991 Forest Strategy and 1993 Policy implementation. Although the OED review provided some analytical insight and greater evidence of the need for change to the forest sector policy and strategy, it was not a primary determinant of the strategic approach taken by Bank staff. Rather, the OED review and evaluation provided complementary evidence as to why significant revisions to the content of the 1991 Forest Strategy and 1993 Policy were needed.

The OED review itself, which was not published until 2000, was a major reason for the delayed completion of the revised strategy process.<sup>26</sup> This delay, however, significantly increased Bank staff's ability to change contents of the Forest Strategy and Policy.

During this period of delay, a significant amount of information from external stakeholders was collected, and it appeared that OED findings supported information gathered from outside the Bank during the consultant-led regional consultations.

As the new Forest Strategy was being drafted by the strategy coordinators, OED staff further considered internal organisational views on the 1991 Strategy and 1993 Policy. OED conducted a staff survey on the 1991 Forest Policy, which found that the staff wanted: a more flexible policy that allowed the commercial logging of tropical moist forests, which took a more multi-sectoral approach to working on forests; acknowledgement of the high-risk, politically difficult project designs that take into

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<sup>26</sup> An interviewee noted that the forest sector strategy team 'couldn't do anything until the OED came out with its results'. From L. Flejzor, from a semi-structured interview with Interviewee #6, Session A.

account social and environmental issues; a greater appreciation for the problem of corruption; and a clearer strategy to mobilize GEF resources.<sup>27</sup> This human resource component, combined with the major substantive errors of the 1991 Forest Strategy and 1993 Forest Policy helped provide the drive for substantial content changes that were eventually contained in the revised strategy and policy documents. The overall effect of the OED review process generated positive feedback in the strategic change process.

This second phase of the strategy process proved to be fruitful in a number of ways. It resulted in the generation of new ideas and a change of strategic options for the Bank's forest sector work, involved new stakeholders as participants in the strategy-making process and established new ways of problem-solving. Thus, it created 'loose coupling' within the system, by loosening bureaucratic procedures in the early stages of the strategic process, provided a space for new managerial processes to emerge and allowed for broader strategic choices for the strategy and policy documents.<sup>28</sup>

### *New Strategy Content*

Information from the OED review, stakeholder consultations and other analytical work was arranged into a draft strategy document. In the early stages of the revision process, the information was clustered under two themes: poverty alleviation and sustainability, which included a discussion of governance and public goods. From the very beginning, it was clear to Bank staff that a forest strategy would not successfully emerge without any one of those themes, 'because they were all encompassing'.<sup>29</sup> Bank staff believed because of the overarching nature of these themes, it would be hard to disagree with any of them.

Bank staff note that the bulk of their concerns and ideas were taken into account or included in the revised draft strategy. Responsibility for the drafting of the final strategy shifted from a senior Bank specialist in the ESSD to a newer forest expert who was a

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<sup>27</sup> World Bank, 'Sustaining Forests: A World Bank Strategy', Washington, D.C.: World Bank, October 2002, accessed 2003a, available at <[www.worldbank.org/forests](http://www.worldbank.org/forests)>, at A-48—A-50, Appendices.

<sup>28</sup> Loose coupling emerges in an organisational system where an organisation 'has time to react, a chance to make substitutions, delay activities' and where decentralised authority can exist (1986:149). This is unlike tight coupling which, 'promotes rapid decision making, centralised decisions with unreflective responses, strict schedules, and ...immediate responses to deviation' (1986:148). Perrow (1986) notes that the degree of coupling is an important organisational characteristic that determines how an organisation responds to threats and other risks in its system. Tightly or loosely coupled behaviour should be understood in conjunction with organisational structure to determine how an organisation behaves. For a further discussion on tight and loose coupling, see C. Perrow, *Complex Organizations: A Critical Essay*, Third Edition, London: McGrawHill, 1986, at 146—155.

<sup>29</sup> L. Flejzor, from a semi-structured interview with Bank staff, January 2004. Interviewee #6, Session C.

leader in the Bank's departmental forest programme. The specialist and other members of the strategy team took into consideration the bulk of the strategy comments from the consultations and from their peers at the Bank. When an initial draft strategy in the form of a discussion paper was created in December 2000, it was first sent to the Executive Board for review because its contents were so controversial at the time.

The OED report supported outputs of the stakeholder consultations and added analytical justifications for the need to shift the direction of the Bank's revised forest strategy. These results were based on analytical documents and consultations conducted independent of the ESSD's strategic process. While the OED report was being assembled, the FPIRS team assembled the Technical Advisory Group (TAG). The TAG<sup>30</sup>, which also plays a role in reviewing the new Forest Policy, examined multiple iterations of the new Strategy after January 2001. This helped increase the input legitimacy of the new forest strategy's contents.

Due to the extensive consultation process that had taken place prior to this time, the Bank staff were basically committed to the contents of the strategy and few major substantive changes to the draft strategy were made. As one interviewee noted:

'we put a few things in [the strategy] that we hadn't thought of. For instance, areas like community forestry, small and medium enterprises, the concept and definition of high-value conservation forests. We had to address all of those detailed questions [related to these issues] and ...there was a lot of input that came from NGOs and others'.<sup>31</sup>

However, other contents of the strategy were not as uncontroversial. One of the more controversial pieces of the strategy was that it lifted the logging ban that had been in effect from 1991. Bank staff felt confident that the information they had received from stakeholder consultations, analytical work and the OED review supported the lifting of the ban. As one consultant noted,

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<sup>30</sup> Technical Advisory Group, which is supported by Bank funds, consisted of stakeholders from the regional consultations and other local actors. This group was consulted in the final stages of the strategy and policy formation, but more so during the policy process. It was primarily composed of NGOs from external consultations, and was to maintain the Bank's transparency during the latter stages of the strategy process and during the policy process. The aim of this group was to 'engage stakeholders in an ongoing debate at the national and global levels, ...which also allowed members to comparative advantage to determine their roles in implementing joint strategies to tackle the complex and diverse forest issues'. Sherman (2001), op cit., above at n. 12, at 11.

<sup>31</sup> L.Flejzor, from a semi-structured interview with Interviewee #6, Session C.



‘in our conversations with Wolfensohn, he asked us, can you defend the organization if we lift the logging ban? And we felt that we could. So then he gave us the go ahead, and you know we felt... it would be wrong to keep the ban’.<sup>32</sup>

As a result, the logging ban was lifted in the strategy and the staff turned to the development of the new forest policy.

The Bank obtained ‘buy in’ (i.e. input legitimacy) from the main groups, because the ESSD staff had taken care to include them in the initial stages of the strategy process. As one participant noted:

‘we had very few serious disagreements from any one really on the final strategy, although there were some radical groups that would disagree with the strategy. [Despite this,] the serious groups from private sector and social groups were on board and there were very few disagreements with the priorities of the strategy’.<sup>33</sup>

However, other Bank donors noted that the ‘pendulum had swung in the opposite direction,’ by infusing too many NGO ideas into the strategy.<sup>34</sup>

Nevertheless, the drafting stage of the strategy process helped Bank staff rethink the content and structure of both the 1991 Strategy and 1993 Policy. It also became clear that a new forest strategy alone would not be enough to create substantial changes to the Bank’s forest sector work and thus an additional, more specific policy document was needed. When drafting the new Operational Policy on forests, however, strong organisational norms had a significant influence over the formation and negotiation of the revised Forest Policy.

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<sup>32</sup> L. Flejzor, from a semi-structured interview with Interviewee #49, Session A.

<sup>33</sup> L. Flejzor, from a semi-structured interview with Interviewee #6, Session C. Dijkzuel and Gordenker (2003) note that encouraging upward accountability is essential in all stages of programming to ensure programme sustainability. They acknowledge the difficulties, but not impossibility, of getting information from the implementing (decentralised) arena to the strategic (centralised) arena. This Bank case study shows the feasibility of attaining accountability at the country-level by utilising bottom-up, participatory approaches to programme management. D. Dijkzuel and L. Gordenker, ‘Cures and Conclusions’, in D. Dijkzuel and Y. Beigbeder, *Rethinking International Organisations: Pathology and Promise*, Oxford, Berghahn Books, 2003, at 331.

<sup>34</sup> L. Flejzor, from a semi-structured interview with Interviewee #13, Session B.

### 4.3 NEGOTIATING THE OPERATIONAL POLICY

After the staff's shift in attention from the draft forest strategy to the policy occurred, organisational norms and rules began to shape the policy formation process. The management of this process was more tightly managed and with less time lag than the early stages of the strategy, where there was considerable space for entry of new ideas and other new processes to emerge. The tightly managed policy process at the Bank's headquarters is largely attributed to the staff's reliance on bureaucratic management approaches and established norms and practices in the organisational system.

The forest policy formation did not occur before November 2000, and the strategy was put aside while policy negotiation was taking place. In previous policies, the intention to implement was prevalent, but the creation and adherence to new Operational Policies provided much stricter, more binding guidelines for the Bank's work. As one interviewee said, 'an Operational Policy is what will get you in front of the Inspection Panel, which of course is the major disincentive in the Bank'.<sup>35</sup>

Therefore, the revised draft forest policy provided concrete guidelines on what Bank staff 'must' do when thinking about forest project design and implementation. The strategy would complement their thinking about what else they 'might' do in any forest-related project. In other words, the contents of the strategy seemed additional to what was done in a Bank Operational Policy. This is why a close working relationship with the Operational Policy office was maintained throughout the negotiation of the revised forest Operational Policy. The suggestions of the Operational Policy office dictated the policy formation process and prevented some of the new draft Forest Strategy content from being infused into the final Operational Policy on forests.

As a result, there was fair amount of compromise between Bank staff and the NGOs in deciding what would be contained in the policy.<sup>36</sup> The Bank's strategy documents indicate that NGO groups contributed to the content of the revised policy, but many NGOs disagreed over their level of influence in the policy-making process. The Bank staff also aimed to 'bundle constituency' by engaging the private sector in the policy

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<sup>35</sup> L. Flejzor, from a semi-structured interview with Interviewee #6, Session A.

<sup>36</sup> L. Flejzor, from a semi-structured interview with Interviewee #54, Session A.

formation process.<sup>37</sup> Internally, however, there were clear limitations to stakeholder inclusivity during the policy negotiations, firstly because not everyone in the Bank was happy about changing the Operational Policy on forests, and secondly because the Operational Policy office and Executive Board became the primary decision-makers of the revised policy's contents.

The Bank staff working on the policy noted that such an approach was appropriate because the Executive Board had a 'right' to negotiate the document before it was discussed with the outside world, and that Bank staff were meant to exercise this right.<sup>38</sup> There was clearly a large amount of consultation done with the external stakeholders on issue papers, questions and website postings, but a coherent, structured policy document was never formally introduced to the outside community during its early stages. Bank staff were aware that a draft policy could not be circulated to the outside community until the Board had discussed a preliminary draft policy on forests.<sup>39</sup>

In the end, the draft policy tried to balance the demands of internal and external organisational stakeholders by attempting to address all stakeholder concerns from the strategy process. Although the Bank attempted to be more inclusive during the latter stages of the policy development, it seemed too late. Many NGOs responded to the draft policy with great contempt for both the Bank's new draft forest policy and strategy. Thus, the policy formation process reflects the opposite of the strategy formation process: the policy process was less focused on the input legitimacy of the content and more so with the outputs needed to conform to organisational norms and standards.

### *Reactions to the Draft Policy and Strategy*

When the Bank's draft forest policy and strategy were released for public comment in June 2002 on the Bank's website, there were immediate reactions from NGOs on both documents. From June 2002 until October 2002, the Bank received comments from external stakeholders which included concerns that: structural adjustment policies were not integrated with the forest policy and strategy and did not address the issue of forest

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<sup>37</sup> For instance, at the outset of the strategy process, World Bank President Wolfensohn established the CEO Forum on Forests, to obtain new information on the Bank's approach to industrial forest work in developing countries. Bank staff also received feedback from the IFC on private sector engagement in the forest sector. The aim of convening small groups of private sector representatives in one place was to generate feedback from the various stakeholder groups affiliated with the Bank's work.

<sup>38</sup> L. Flejzor, from a semi-structured interview with Interviewee #6, Session C.

<sup>39</sup> L. Flejzor, from a semi-structured interview with Interviewees #6, Session C and #54, Session A.

governance sufficiently; the definition of critical forests was not enough to protect old-growth forests; and there was no implementation review of the 1991 Forest Strategy.<sup>40</sup> Yet, Bank country staff supported the contents and process of its draft forest policy and strategy.<sup>41</sup>

More scathing feedback came from other NGOs that suggested that the Bank's revised Operational Policy on forests was 'seriously flawed' and 'represents a dangerous setback for the world's forest ecosystems and the people whose livelihoods depend on them.'<sup>42</sup> Some called the regional consultations the Bank held a 'sham,' noting that forest dependent peoples and biodiversity could seriously be harmed under the new Operational Policy. These concerns were publicly voiced by NGOs during the stakeholder consultations, but were not addressed in the draft Operational Policy on forests.

Although the policy document was only three pages long, there was far more time spent on negotiating and forming the policy document than the Executive Board's negotiation of the strategy document.<sup>43</sup> Those involved in the policy-making process indicated that the policy was 'far more important' than the strategy document, because not adhering to the policy documents in the field could have serious implications for Bank staff implementing project and programme work. As one interviewee noted: 'policy is the law; strategy is the goal; policy is the law and the matter you must follow in the Bank'.<sup>44</sup>

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<sup>40</sup> Based on an 'Open Letter to Mr. James D. Wolfensohn' from Environmental Defence Fund et al (2003), and conference paper by Dubash and Seymour. See Environmental Defence, Forest Peoples Programme, Friends of the Earth, Greenpeace, Rainforest Action Network, 'Open Letter to Mr. James D. Wolfensohn - President of the world Bank', October 22, 2003, Re: Responsible Forest Investment Forum - Washington, D.C. October 22-23, 2003, available at <<http://www.foei.org/forests/letter.html>>. NGOs also argued that the Bank could be more effective if its interventions were based on a more sophisticated political analysis, particularly of the domestic constituencies for forests reform and the external agents who could be mobilized around forest reform. From a presentation by N. Dubash and F. Seymour, 'The Political Economy of "Environmental Adjustment": The World Bank as Midwife of Forest Policy Reform', paper presented at a conference on 'International Institutions: Global Processes – Domestic Consequences' at Duke University, April 9–11, 1999.

<sup>41</sup> For example, the Bank's country director from Russia stated that draft Operational Policy 4.36 was compatible with new Bank-sponsored forest projects. He noted that the Russia office is working with partners such as the Worldwide Fund for Nature and others to implement certification programs, which now receive support of Russian government. Taken from a letter from the World Bank Russia Country Director to the Forest People's Programme, 2003.

<sup>42</sup> K. Horta, 'World Bank's Draft New Forest Policy: A License to Trash the World's Forests', *World Rainforest Movement Bulletin*, August 2002.

<sup>43</sup> L. Flejzor, from a semi-structured interview with Interviewees #6, Session C and #54, Session A

<sup>44</sup> L. Flejzor, from a semi-structured interview with Interviewee #6, Session C

Regardless, the forest policy emerged as a stand-alone Operational Policy,<sup>45</sup> but also one that takes into consideration the Bank's other, complementary Operational Policies on environmental assessment, natural habitats, cultural property, involuntary resettlement, and indigenous peoples. Bank staff designing Country Assistance Strategies are required take the new Forest Policy into consideration. In all cases, implementation of a forest project involves prior distribution of environmental assessments and results of forest assessments to the public.<sup>46</sup>

#### **4.4 MAKING THE NEW STRATEGY AND OPERATIONAL POLICY**

##### **'BANKABLE'**

While changes to the strategy and policy documents seemed to gain institutional support from the Executive Board, there was one missing component that Bank staff knew needed to be included before the documents' final presentation to the Executive Board: a Business Plan. The creation of a Business Plan was essential in setting performance indicators for the new policy and strategy. Initial drafts of the Business Plan were developed in late 2001 by the same Bank staff that drafted and negotiated the strategy and policy.

The point of the Plan was to show specific deliverables of the draft Strategy and Policy. Whereas the draft Strategy and Policy documents discussed the vision of the Bank's forest work more broadly, the Business Plan provided new concrete performance indicators to the Board. The ESSD forest strategy coordinator noted about the process:

'when you present a strategy, you have to show how you will implement the deliverables, how they relate to the objective and how they will achieve such objectives...You have to explain how this will be done on a year to year basis...in other words, the strategy has to be "Bankable"; you have to show how it's going to be done, how it will be paid for and who will be responsible for it'.<sup>47</sup>

Bank staff recognized the need for identifying the responsibilities of those in the organisation that would implement the document as well as establish a clear process for verifying financial success of the new strategy and policy.

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<sup>45</sup> This policy took effect after January 2003.

<sup>46</sup> Above two paragraphs are based on the Bank Procedures for OP4.36 'Forests' which were agreed to by the Bank's Board of Directors on October 31, 2002, available at <<http://wbln0018.worldbank.org/Institutional/Manuals/OpManual.nsf/>>

<sup>47</sup> L. Flejzor, from a semi-structured interview with Interviewee #6, Session C.

Developing a Business Plan that reflected the strategy's contents was essential, as the Business Plan would capture cross-cutting elements of the Bank's work and was important to successful implementation of the strategy. The final draft strategy contained three pillars, which were meant to be interdependent and all encompassing of other subjects on forests. These are: 'harnessing the potential of forests to reduce poverty; integrating forests in a sustainable economic development; and protecting vital local and global environmental services and values'.<sup>48</sup> This captures the multi-sectoral approach to forests that had been emphasized in the strategic approach, and in multilateral processes such as the Intergovernmental Forum on Forests and UN Forum on Forests.

The Business Plan was developed in coordination with the Committee on Development Effectiveness, which is usually responsible for the 'formal scanning' of documents before documents are sent to the Board. The Business Plan was revised based on comments received from the Committee and made consistent with the contents of the strategy and policy.<sup>49</sup> Once this was done, the three documents were reviewed and approved by the Executive Board in October 2002.

A major focus of the new strategy links the Millennium Development Goals (MDGs), in particular, poverty alleviation, to forest sector work. The Bank wanted to give more attention to poverty alleviation in its forest work, instead of making it an 'afterthought...', which was the treatment in many other sectors'.<sup>50</sup> Additionally, the Bank's forest-related staff believed that the new strategy should address economic and sustainability concerns, otherwise it would not succeed at the country-level. The strategy's emphasis on poverty alleviation also helped to legitimize the Bank's new approach at the multilateral level by linking forest work to meeting the MDGs. Although this was highlighted by OED analytical reports, Bank staff noted that the consultations involved in the strategy process 'confirmed the close link between the livelihoods of the poor and forests and helped to refute the largely false notion that the poor are the cause of deforestation in developing countries'.<sup>51</sup>

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<sup>48</sup> World Bank (2003a), op cit., above at n. 27.

<sup>49</sup> L. Flejzor, from semi-structured interviews with Interviewees #6, Session C and #54, Session A.

<sup>50</sup> L. Flejzor, from a semi-structured interview with Interviewee #54, Session A.

<sup>51</sup> World Bank (2003a), op cit., above at n. 27, at 20.

The primary coordinator for the strategy document marketed the strategy to the Executive Board noting the nature of the integrated strategy: that one of the three pillars of the strategy could not be implemented on its own. He noted the importance of the budget to the implementation of the strategy. In the end, the required incremental Bank budget to bring sector work up was about US\$1.5-2.0 million a year from 2002-2007.<sup>52</sup> In addition to this contribution from the member states of the Executive Board, there would need to be significant additions of trust funds to implement the documents. As a result, the Business Plan represents a much more quantitative, specific document with a focus on implementation of the broader vision expressed in the strategy document.

Upon review of the Business Plan, the Executive Board did not base their decisions on the amount of money needed for the new strategy's implementation, but instead looked for the projected increases to economic and sector work mentioned in the Business Plan.<sup>53</sup> While this was important for setting the Bank's financial performance goals, it did not provide a similar, measurable performance outcome for forest and environmental sustainability. Since the performance indicator of the new strategy is mostly financially based, it also gives greater credence to criticisms from NGO stakeholders that the Bank is more concerned with portfolio lending than environmental sustainability. However, staff note that such an increase would not necessarily increase the overall envelope of lending, but instead reflects an increase in the Bank's overall presence in a given area.

To pre-empt NGO criticisms on lending, the Bank suggested there would be a transparent development of a new Bank Operational Policy on adjustment lending. The Bank concluded its review of the adjustment lending policy (OP 8.60) in 2004. However, the new policy makes only one brief mention of forests and was condemned by environmental NGOs.

In addition to its new Operational Policy on adjustment lending, the Bank indicates that it will support an independent monitoring and certification approach on forest projects.<sup>54</sup> It also agreed that the revised Forest Policy should be implemented in conjunction with a

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<sup>52</sup> Figure taken from a semi-structured interview with Interviewees #6, Session C

<sup>53</sup> The interviewee discussing this topic noted that increased investment in forest sector work is not necessarily good, especially if money is spent on the wrong type of investment (L. Flejzor, from a semi-structured interview with Interviewee #6).

<sup>54</sup> These actions have been extracted from the World Bank (2003a), op cit., above at n. 27. These actions are actions that will be done in addition to existing Bank work, such as the Bank's regular implementation and safeguard procedures.

number of other Bank Operational Policies, including Operational Policies on indigenous peoples and natural habitats. It has yet to be seen if such policies and approaches can increase the effectiveness of the Bank's forest work.

#### **4.5 ANALYSING THE STRATEGIC CHANGE PROCESS**

The utilisation of a Business Plan helped build cohesion between the forest strategy and policy documents, and provides concrete implementation plans and goals for both documents. The formation of a Business Plan, which was an established practice of the Bank, provided the evidence and support needed to successfully convince the Executive Board that the strategy and policy could succeed if implemented. Thus, the strategic change process is analysed as one overall change process, consisting of strategy, policy and Business Plan formation.

The strategic change process generated positive and negative feedback effects. The dominant feedback effect occurred during the establishment of a new strategy approach, where external stakeholder consultations, new information from Bank staff and other analytical work radically shifted forest strategy content and Bank policy. This is also how a significant amount of new ideas emerged. In utilising information from the consultation outputs, the analytical documents and other OED reports, however, the 2002 Strategy took a long time to write and finalise. Yet, these delays helped solidify and build the support necessary to gain institutional acceptance for the new strategy. Overall, the revised forest strategy and policy process is explained in Diagram 4b:



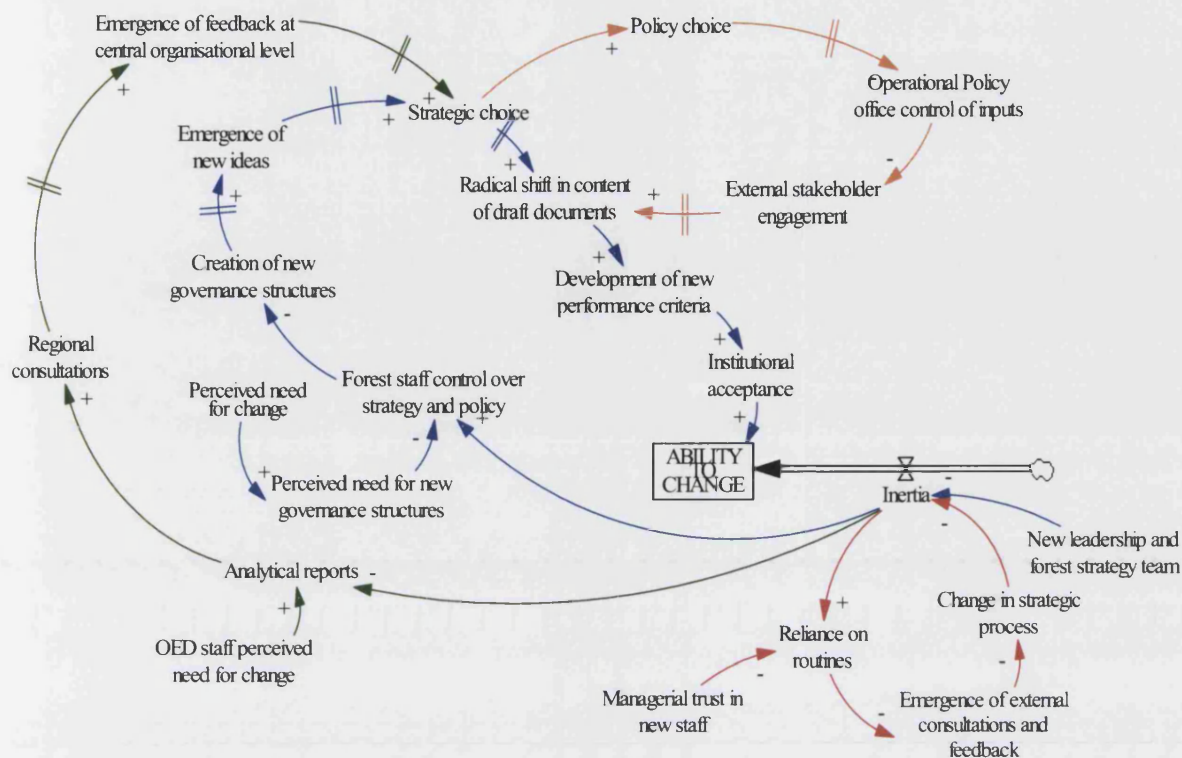


Diagram 4b: Strategic Change Process of the World Bank's Revised Forest Policy and Strategy<sup>56</sup> (source: the author)

The dominant loop in the strategy formation process is the second positive feedback loop, where external consultations led by decentralised country offices and consultants were key. There was a large amount of lag time taken by Bank staff between the time of the consultation and the actual negotiation of the strategy documents. Such a 'loose' coupling effect may have helped tension to dissipate within and outside the Bank when discussing the new forest strategy. Trust and cooperation between the Bank staff, IUCN facilitators, and other stakeholders built up over time and may have helped the strategy negotiation process. In addition, the change in the strategy's facilitator within the Bank helped ensure a fresh, flexible perspective was taken when processing information from the various stakeholder consultations.

The loop on the far left of Diagram 4b shows that the OED review had a positive feedback effect on the results obtained from the external consultations. OED results offered complementary, internal organisational support needed to change the 1991 Strategy and 1993 Policy contents. The long-term delays in the preparation of OED

<sup>56</sup> Delay markings indicate at least six months of a time delay in the strategy and policy formation process.

documents helped ensure that all stakeholders – NGOs, the private sector, Bank staff and Bank member governments – were engaged in the strategy process. The resultant effect helped significantly change the content of the forest policy and strategy.

In general, the Bank moved from a loosely controlled strategy formation process to a policy formation process that was tightly controlled. The strategy process became more institutionalised as more information was retained and processed at the central bureaucratic level. But such effects are more clearly seen during the bargaining process involved with the Bank's revised forest policy, especially because organisational guidelines prevailed in determining the policy process. This was due in large part to Bank staff's perceived accountability mainly to the Executive Board and stringent policy approach of the Operational Policy Office, which provided internal guidelines for Bank staff to follow.

This complicated the timing of the process, and possibly the reliance on traditional organisational approaches to policy formulation in the latter stages of the strategy. Nevertheless, there was a clear, successful transfer of information that was translated from a decentralised, country-level to the centralised organisational level. While the Bank's credibility and accountability was on the line in determining how to include the stakeholder feedback, the Bank successfully operationalised the information collected in their outreach work within the new strategy. As a result, one could argue that the Bank became a more successful listener to what was happening at the local and national levels.

This is also a demonstration of a successful feedback loop in strategy-making. While the output was not as successful for the policy formation process, the strategic approach was one that allowed adequate flexibility, openness to new ideas, and responsibility to a range of stakeholders throughout the process. The obvious implications of this outcome are that newer undiffused ideas were added to the final forest strategy document, but not the forest policy.

While the policy process represents negative feedback behaviour in the larger process, it was not the determinant of overall strategic change. Policy formation may have increased organisational inertia and decreased the amount of policy choices, but the strategy process and draft contents enabled the policy content to shift radically. Thus, the policy feedback loop only somewhat decreased the Bank's ability to change.

The change in staff, extensive consultations, and linkage to broader strategic goals helped the Bank form the final three pillars of the 2002 Forest Strategy and Operational Policy. These were close to the three pillars of the World Bank's 2001 Environment Strategy. Linking the 2001 Environment Strategy to the new Forest Strategy eased implementation of both strategies because the Environment Strategy and the new Forest Strategy were to be implemented at the same time.

Early signs of financial success are appearing as the result of the Revised Forest Strategy and Operational Policy's implementation. It is clear that client demand for the Bank's forest work had increased from US \$20 million in FY01 to US \$104 million in FY04.<sup>56</sup> The Business Plan also forecasted this, listing it as a performance indicator, which may encourage the Bank to prematurely deem the revised Forest Strategy and Policy as a success. However, in 2007 Bank staff will need to comprehensively assess the new Forest Policy and Strategy's impact, including the effects of commercial logging.

Moreover, the Bank's new Strategy notes the potential for problems in the field despite the revised approach to strategy formation. The strategy notes that:

'Experience has shown that remedial strategies [for poverty reduction] can generate internal conflicts. Assistance should be provided judiciously to those dependent on or who live near forests so that they may develop their abilities to service the forest products market. If this is not done correctly, it could increase competition for the forests, exclude access to the poorest of the poor to essential forest products, and disrupt communal systems of management by groups that traditionally have relied on common property forest resources for meeting essential fuelwood, grazing, and other needs.'<sup>57</sup>

The Bank notes that its new approach to economic and sector work will be demand-driven, and depend on the needs of the country.

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<sup>56</sup> From World Bank, 'Implementing the Forest Strategy: Q and A', Question #2, 2004, available at <<http://lnweb18.worldbank.org/ESSD/ardext.nsf/14ByDocName/ForestsandForestry>>.

<sup>57</sup> World Bank, 'Poverty Reduction: Harnessing the Potential of Forests to Reduce Poverty', 2005b, available at <<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTARD/EXTFORESTS/0,,contentMDK:20628553~pagePK:210058~piPK:210062~theSitePK:985785,00.html>>.

Therefore, it is not clear at this time if the high transaction costs for preparing this strategy outweigh the costs of not doing one or doing it using less financial resources. The outcome and value of the consultative process will be known when evaluations of the revised strategy and policy are conducted. However, the revised forest policy and strategy process was a costly endeavour, and all trust fund money had been exhausted by the finalisation of the documents.

Currently, there is no more trust fund money to assess strategy and policy implementation. At the present time, it seems that too much financial and human resources are required to routinely implement the type of consultative process used by the Bank's forest team. Momentum is needed to raise funds again for this purpose. Unless the Bank's forest team is faced with another significant threat to its programme performance, it is unlikely it will conduct another consultative strategic process in the near- to medium-term.

#### **4.6 CONCLUSIONS**

The World Bank's revised Forest Strategy and Policy process gives particular insights into the way the organisation responded to poor performance, such as decreasing returns on project investment and demand for project work in its operating environment. Evidence of poor performance included: low levels of interest in Bank projects in developing countries; a decreasing financial return on Bank forest projects; and the inability of the previous forest strategy to address the scope of the deforestation problem. The Bank's poor performance in the forest sector was the major trigger that facilitated a strategic change process in the ESSD Network.

As a result of the Bank's poor performance in the forest sector, President Wolfensohn and the Bank's Executive Board decided that a review of the 1991 Forest Strategy and 1993 Policy was needed. Bank coordinators were given a great deal of flexibility when planning a new strategic approach to draft the revised Forest Strategy. It included new approaches to gathering ideas at the regional level using consultants, establishing new partnerships and building trust through the Bank's existing partnerships, especially with the private sector. The staff's ability to change its strategic approach was also aided by the events of the Bank's organisational restructuring in 1995—96.

The new strategic approach helped the Bank gain considerable amounts of new information on forests and forest problems. Additionally, the significant time required for the consultation process helped Bank staff utilise some of the new ideas from the OED's analytical work. Such OED studies on the 1991 Policy and 1993 Strategy reinforced some of the salient issues from the external stakeholder consultations and paved the way for a number of changes to the new Forest Strategy and Policy. The combination of the Bank strategy team's efforts using consultations and the OED analysis significantly increased the Bank's ability to change the final 2002 Forest Strategy and Policy content and overcome established organisational norms embedded in previous strategic approaches.

While a new approach was taken to strategy formation and a significant amount of new ideas emerged from the final Revised Forest Strategy document, such flexibility decreased when the new Forest Policy was drafted. During policy formation, organisational norms had a strong influence on policy outcomes. One reason for this was the high level of influence of the Operational Policy office on the drafters of the revised Forest Strategy. The perceived threat of breaking Operational Policy practices and policy formation approaches decreased the forest strategy team's ability to significantly change the content of 1993 Forest Policy to the degree of the revised Forest Strategy. Nevertheless, a few key ideas from the final Forest Strategy were contained in the revised Forest Policy. Thus, decisions on the Operational Policy were governed mainly by powerful governance structures and strong norms at the Bank's headquarters.

The long-term outcome of the 2002 Forest Strategy and Policy has yet to be evaluated. Nevertheless, the high financial costs necessary to operationalise the Bank's new strategic approach will make it a less attractive approach in the future. Additionally, early financial indicators note improvements in the Bank's economic and sector lending, but they are performance indicators based only on financial assessments and norms in the Bank's environments. Thus, the Bank is likely to experience further threats to its credibility in the forest sector, unless significant local level outreach is conducted during the implementation of the 2002 Forest Strategy and Operational Policy.

Without an internal restructuring in the Bank, a high external threat to the Bank's performance and a decrease in influence of the Bank's Operational Policy office on the strategic process, the likelihood of a similar level of change to the next Forest Strategy

and Policy is low. Due to the extensive and lengthy consultation process undertaken for the 2002 Revised Strategy and Policy, incremental changes will likely occur to future Bank forest strategies and especially forest policies.

Evidence of low performance and poor strategic fit of the 1991 Forest Strategy and 1993 Forest Policy provided clear momentum and evidence that change was required to the ESSD's Forest Strategy and Policy. Similar threats to organisational performance are seen in the next case study on the FAO. The next chapter explains why and how a different strategic process was required to re-establish the FAO's credibility within and outside the organisation.

## CHAPTER FIVE: THE FOOD AND AGRICULTURE ORGANIZATION'S NEW FORESTRY STRATEGY

The 1999 Food and Agriculture Organization's (FAO) Forest Strategy arguably represents arguably the simplest strategic change process of the four cases studied in this thesis. It shows how corporate organisational norms can reduce the level of strategic change at the departmental level when a more overarching, corporate strategic plan is formed. Unlike the strategic change process in the World Bank, the FAO Forestry Strategy was a mostly internal organisational exercise. The FAO strategic change process reveals the need for influence of top managers and the acceptance of institutional governing structures when strategy is an internally driven event, based on organisational actors' perceptions of performance.

The case of the FAO Forest Department's strategic change process is unlike the other corporate and departmental processes discussed in this study. In the mid-1990s, the FAO changed its strategic approach due to the Department's poor image held by external stakeholders and its perceived lack of programmatic focus. Even though the FAO Forestry Department faced external threats to its performance, the FAO Forestry Strategy process was largely contained within the organisation, and external stakeholder involvement was kept to a minimum. This impacted the type of strategic change in the Strategy, which represents a transformation of FAO Forestry Department's image and a moderate shift in its programmatic direction.

The leadership of the FAO Forest Department initially drove the strategy process, and the document was primarily formed by departmental staff. Organisational inertia was overcome in the process, due primarily to the presence of a strategy 'champion', who was the Assistant Director General of the Forestry Department.<sup>1</sup> As control of the strategy formation remained with the Forestry Department staff, however, organisational inertia increased and was not overcome until greater institutional and corporate level acceptance was obtained from within and outside the organisation. The formation of a

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<sup>1</sup> A strategy champion acts to sustain the strategic change process and helps build institutional acceptance. Both the leadership of FAO at the departmental and corporate levels act as strategy champions, which helped overcome organisational inertia. Barzelay and Campbell note the importance of a strategy and policy champion in their empirical study on strategy formation in the U.S. Air Force. See M. Barzelay and C. Campbell, *Planning for the Future: Strategic Planning in the U.S. Air Force*, Washington, D.C., Brookings Institution, 2003. The concept of a policy champion originated with Kingdon, who noted that political actors can be sole advocate for a policy initiative, which leads to its successful acceptance. See J. Kingdon, *Agendas, Alternatives, and Public Policies*, Boston, MA, Little Brown, 1995.

corporate strategy process helped build acceptance for the process and momentum for the departmental change process was carried forward by corporate and departmental leadership, leading to the Forestry Strategy's approval by the FAO Conference in 1999.

The FAO Forestry Strategy was a stand-alone document, and thus no binding policies are associated with its formation. In addition to providing coherence for the FAO Forestry Department's goals, it was closely linked to the FAO corporate Programme of Work Budget and to work in other FAO statutory bodies. In the forestry strategy process, the delays caused by corporate strategy formation somewhat impacted the level of strategic change and helped set an organisational precedent for the use of strategy within the organisation.

Why and how was the 1999 FAO Forestry Strategy formed? This chapter first explains how formal routines were broken by the arrival of new departmental leadership, but how inertia increased when departmental and corporate staff became involved in the strategic change process. Secondly, it explains how the content of the departmental (or sub-unit) strategy shifted due to internal and external stakeholders' input and how the concurrent formation of a corporate strategy somewhat constrained this shift. It then analyses how, despite the departure of departmental leadership, the change process continued to ensure the 1999 Forestry Strategy's acceptance and application by the organisation.

## **5.1 THE NEED FOR CHANGE IN FAO FORESTRY**

FAO is one of the oldest organisations in the UN system. The UN provided a global mandate to the Food and Agriculture Organization (FAO) to be 'the lead agency in international forestry development'.<sup>2</sup> According to FAO staff, 'development of nations' in the forestry sector during the 1950s and 1960s was realisable, including through industrial development and in the 1970s through rural development.<sup>3</sup>

It was only in the mid-1970s that the FAO forestry programme obtained a formal structure and shifted its programmatic focus to work on poverty reduction.<sup>4</sup> Continuing with its given mandate, the primary emphasis of the Forestry Department was on the

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<sup>2</sup> FAO, 'Office Memorandum: "FAO Forestry Strategy"', internal communication, 2 August 1996, 1996l, at 2, para 5.

<sup>3</sup> FAO, 'Facsimile transmission: Comments on "First Draft, Forestry Department Strategy Document"', internal communication, 28 May 1996, 1996h.

<sup>4</sup> S. Brechin, *Planting Trees in the Developing World*, London, The Johns Hopkins University Press, 1997, at 64—66.



production of technical information documents, technical assistance for projects and field programmes and convening of political processes, including the Committee on Forestry (COFO) and *Codex Alimentarius*.<sup>5</sup> The original structure of the FAO had an impact on its behaviour in the late 1980s and early 1990s, and it was not until the mid-1990s that FAO changed its hierarchical bureaucratic structure.<sup>6</sup>

In the 1980s and 1990s, environmental stability and conservation was seen as a prerequisite for what is called ‘sustainable development’.<sup>7</sup> The early 1990s in FAO were characterized by experimental approaches to forest management, utilisation of forest coordination mechanisms and decentralisation of management practices. Few institutionalised management practices existed for planning development programmes until the mid-1990s.

In the 1990s, the FAO underwent a comprehensive reform, ‘aimed at lending a greater degree of coherence to the Organization’s activities and developing a strategic vision for its future while improving resources management. [This has] affected FAO structure, governance mechanisms and operational procedures’.<sup>8</sup>

In the early 1990s, coordination and planning of programmes was formed by member states at COFO and fed into the FAO’s corporate Programme of Work and Budget, which are two-year plans for FAO programmes and their associated costs. Since 1994, the most important change in conceptual terms was the ‘wide adoption of advanced strategic planning and results-based budgeting principles’.<sup>9</sup> After 1994, FAO applied

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<sup>5</sup> The *Codex* sets international standards for food safety and ‘fair practices in the food trade’. FAO, ‘Understanding the Codex Alimentarius’, Series Title: Codex Alimentarius and Joint FAO/WHO Food Standards Programme, W9114/E, 1999c, available at <[http://www.fao.org/documents/show\\_cdr.asp?url\\_file=/docrep/w9114e/W9114e04.htm](http://www.fao.org/documents/show_cdr.asp?url_file=/docrep/w9114e/W9114e04.htm)>. The *Codex* standards can be legally enforceable in international bodies such as the World Trade Organization. The *Codex* and subsequent FAO/ World Food Programme strategies on food security influenced the content of the 1999 FAO Forestry Strategy. For instance, one of the main thrusts of the World Food Summit Plan of Action in 1996 was the promotion of food security through creating an enabling environment for poverty alleviation, optimal allocation of trade policies and meeting emergency food requirements. FAO, ‘Attachment “Constitutional Rights to Food and the role of FAO”’, Internal communication, 17 June 1997, 1997a. In late 1996, a Strategy for Food Security post-WFS was being drafted to determine priorities of the 1998-99 Programme of Work and Budget and Medium Term Plan 1998-2003.

<sup>6</sup> For a thorough discussion on the FAO Forestry Department from 1945-1985, see Brechin (1997), op cit., above at n. 4, at 53—66. The shift of forest work from industrial to poverty reduction purposes is discussed in Chapter Three.

<sup>7</sup> FAO (1996h), op cit., above at n. 3.

<sup>8</sup> UN Joint Implementation Unit, ‘Review of the Management and Administration in the Food and Agriculture Organization of the United Nations (FAO)’, prepared by A.D. González and F. Mezzalama, JIU/REP/2002/8, Geneva, United Nations, 2002, at 1, para 1.

<sup>9</sup> UN JIU (2002), op cit., above at n. 8, at 2, para 7.

Medium Term Plans and a long-term Strategic Framework to help achieve an 'enhanced programming approach'.<sup>10</sup> Thus, prior to 1994, established routines and practices for gauging performance and planning new programmes, especially at the departmental level, were ad hoc or non-existent.

Member state financial contributions are made to the FAO Regular Budget and FAO technical cooperation programmes, and the level of allocated funding to FAO Forestry from the Regular Budget is not viewed as a measure of the Department's performance.<sup>11</sup> Despite this, the budget of the Forestry Department has been decreasing since the 1990s, when the FAO was facing threats to its credibility. Yet, many FAO staff did not see the need for radical change in the 1990s.<sup>12</sup> FAO staff believed that the organisation had a comparative advantage in the way it engaged at the country-level. Its 'open door' policy, for instance, was seen as a comparative advantage over other organisations working in the forestry sector in addition to its flagship products, including the Forest Resources Assessment (FRA).<sup>13</sup>

The FAO Forestry Department based perceptions of its performance on outcomes of the Forestry Department's activities and feedback from its member states. The primary mode of feedback for performance of FAO programmes was through the criteria and indicator (C&I) process at the country-level and the Regional Forestry Commissions (FRCS).<sup>14</sup> There are few, clear qualitative and even fewer quantitative indicators of performance at the country level, making actual performance difficult to assess. While there were later efforts at the corporate level to design measurable C&I and budget management in the FAO, the FAO's Forestry's experience in the 1990s was beset by the lack of clear indicators. This was particularly the case because the C&I processes, which provide the technical indicators for the sustainable management of forests, were just being developed.

As a result of unclear performance indicators, the FAO Forestry Department had a difficult time assessing its overall performance. It was not until the failed outcome of the Tropical Forestry Action Programme (TFAP) that FAO Forestry determined that it was

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<sup>10</sup> Ibid.

<sup>11</sup> Perceptions of interviewees (#18, Session C and #21, Session A) indicated performance is not the key issue that needed to be addressed by the FAO Forestry Department.

<sup>12</sup> L. Flejzor, from a semi-structured interview, interviewee #21, Session A.

<sup>13</sup> FAO, 'Office Memorandum', 24 May 1996, 1996g.

<sup>14</sup> FAO (1996g), op cit., above at n. 13.

performing poorly in the forest sector. TFAP was initiated as a coordination mechanism, maximising forest management work with other organisations, including the World Bank and the World Resources Institute (WRI), and was designed to implement forest programmes in countries with moist tropical forests.<sup>15</sup> TFAP was one of the first forest strategies to address the problem of tropical deforestation.<sup>16</sup>

Yet, while TFAP might have been an innovative mechanism at the time, it is a major reason why the FAO Forest Department embarked on in a new strategic direction in the mid-1990s. As one interviewee noted, ‘during the 1980s until 1995, there was a significant change to the FAO’s forest practices but also a period when the role of forests was questioned. Much of this goes back to TFAP’.<sup>17</sup> While there was significant information on forests that came out of the TFAP experience, such as drawing the attention of organisational decision-makers to the rates of high deforestation in developing countries and the need to take political action, it also was the source of backlash in the FAO. The performance of TFAP could be considered mixed at best, although some have regarded it as a complete failure.<sup>18</sup>

NGOs were particularly critical about the slow pace of progress on TFAP. One of the founding TFAP designers, the World Resources Institute (WRI), even launched an evaluation of TFAP in response to such criticisms. Whether intended or not, the WRI evaluation harshly criticised the FAO TFAP process and caused contagious views that TFAP was not achieving its set goals to reduce tropical deforestation. These criticisms also contributed to the FAO’s poor reputation in the forestry sector. Many external FAO stakeholders, especially many donor and funding agencies, held poor perceptions of FAO Forestry in the mid-1990s.<sup>19</sup> The public’s perception of TFAP and the shift of forest use for industrial to development purposes affected the Department’s perceived need to change the FAO’s approach to working on forests. However, the strongest drive for change was created by the arrival of the new Assistant Director General of the Forestry Department.

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<sup>15</sup> See Chapter Three for a substantive discussion of TFAP.

<sup>16</sup> D. Humphreys, *Forest Politics: The Evolution of International Cooperation*, London, Earthscan, 1996, at 33.

<sup>17</sup> L. Flejzor, from a semi-structured interview with Interviewee #21, Session A.

<sup>18</sup> L. Flejzor, based on notes from discussions with present and former representatives to FAO COFO and FAO staff, including Interviewee #55, Session A and Interviewee #51, Session A.

<sup>19</sup> Brechin (1997), op cit., above at n. 4, at 67. These include that TFAP accelerated deforestation by assisting logging operations projects and left the conservation projects unfunded.

## 5.2 ESTABLISHING A STRATEGIC PROCESS

When the new Assistant Director General (ADG) of the Forestry Department arrived in 1995, he had technical forest expertise from working on forests for an FAO member government. Although trained as a forester, his national forestry agency had just been engaged in an agency-wide strategic planning exercise. This experience highly influenced his view that a formal strategic plan could and should be applied within FAO Forestry. He recognized strategic planning as a valuable tool to help focus the vision of the Department, and knew he had a series of problems that could be resolved and had the staff to resolve them.<sup>20</sup>

The ADG also knew he had an opportunity to make certain changes within the FAO Forestry Department since there had been recent changes in FAO corporate leadership. The FAO Director General was leaving after 18 years in his post, which seemed to the ADG of the Forestry Department to be an ‘ideal situation’ to make change.<sup>21</sup> At the time of the ADG’s arrival, it was apparent that the *style* rather than *substance* of the FAO Forestry Department’s work was in need of a change.

The ADG’s strategic approach intended to bring something new to the organisation, and something that would be seen as legitimate from the perspective of internal and external stakeholders. He impressed upon his staff the need and value of partnerships, noting that FAO’s wide range of technical work would require FAO Forestry to partner with other organisations working on similar issues. This attitude ran counter to many views held by FAO staff, which believed other international organisations (e.g. Intergovernmental Forum on Forests/Intergovernmental Panel on Forests) were infringing on the work of the FAO and its given UN mandate for forests. Despite this, the new ADG believed he could successfully emerge with a new forest strategy for the Department.

The idea for a FAO Forestry Strategy was vetted with the forest community in Europe, as a result, and COFO and the European Forestry Commission (EFC) in January 1995 approved a mandate for the FAO Forest Department’s strategic change process. The primary concern of the EFC was that the FAO was reacting to too many requests from member governments, which the FAO was having difficulty refusing to take on. The

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<sup>20</sup> L. Flejzor, from a semi-structured interview with Interviewee #21, Session A.

<sup>21</sup> L. Flejzor, from a semi-structured interview with Interviewee #21, Session A.

FAO staff had to take member states concerns into account, something also made explicit in the EFC mandate.<sup>22</sup> The FAO staff's initial perception of this mandate was that the EFC wanted FAO to prepare a global strategy for forests, rather than one confined to the FAO Forestry Department's work.<sup>23</sup> Nevertheless, the initial approach of the FAO Forestry Department limited the scope of the strategy only to the FAO's programme on forests.<sup>24</sup>

The initial purpose of the strategy was to help clarify staff's understanding of sustainable development and sustainable forest management (SFM), drawing from key discussions in the Bruntland report.<sup>25</sup> It would take into account some of the recommendations of the forestry 'Task Forces' set up to discuss conclusions from FAO's Committee on Forestry (COFO), Ministerial and NGO meetings, and the FAO organisational restructuring process.<sup>26</sup> In terms of the strategy's content, it was hoped that the new forestry strategy would give a better balance between the economic aspects of forests and the need to involve local and national stakeholders in the forest management process. The Departmental ADG also sought an appropriate structure for the strategy, so that it melded with the FAO Forestry Department's existing work.

This work was largely driven by policy-setting decisions taken in COFO. COFO, which consists of senior foresters and heads of forest ministries, meets every two years and sets the policy work for the FAO Forest Department. While COFO had an important role in

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<sup>22</sup> L. Flejzor, from a semi-structured interview with Interviewee #19, Session A. FAO staff note its member states 'are all our bosses'.

<sup>23</sup> The EFC requested that 'the [FAO] regular programme activities be cross-referenced with the EFC programme of work to demonstrate consistency...it requested that FAO develop a forestry strategy, on the basis of the UNCED 'Forest Principles', identifying the main policy issues world-wide and possible options for action. ...and make a recommendation to the [FAO Forest Ministerial meeting] on a clearer and more efficient means of handling forestry matters at the international level. This should include clearer demarcation between international organisations, improved liaison, non-duplication and less competition between them'. FAO, 'Policy, Strategy and a Plan for Forestry in FAO: A Strategic Plan for Forestry', internal document, 26 February 1996, 1996b, at 5, Annex 1. The EFC document also notes that the FAO strategy should not be used to 'govern the activities of others' but should promote its leadership. Thus, the EFC viewed the strategy as a cooperative mechanism with a view to harmonise global forest work.

<sup>24</sup> The Intergovernmental Panel on Forests would later provide guidance on whether the FAO should develop more of a global strategy on forests.

<sup>25</sup> L. Flejzor, from a semi-structured interview with Interviewee #21, Session A.

<sup>26</sup> One of the recommendations from this meeting was that the Forestry Department should 'prepare a policy and strategy for the forestry programme which describes the Department's goals and the means by which it intends to achieve them.. [and] to involve staff in developing the policy and strategy. In order to ensure such consistency of the sub-programme, a strategic planning approach for the preparation/revision of the Department's general programme should be adopted'. The document also notes that the strategy should guide programme planning (for the Programme of Work and Budget), normative and development functions, employment patterns, and provide guidance to FAO statutory bodies. From FAO (1996b), op cit., above at n. 23, at 10.

reviewing the new forest strategy drafts, the strategic change process was not highly controlled by this statutory body.

However, there was no clear definition of ‘strategy’ in the FAO Forestry Department. Even within the Forestry Department, there were divergent opinions over what was ‘strategy’. One interviewee saw strategy as the ‘*how*, on a big scale; *tactics*, on a small scale.... We were preparing a strategy, not for the people who work in FAO, but for its Members. And the members are our 180 member governments, and they have got 181 different strategies’.<sup>27</sup> In the end, the strategy was not viewed as a policy, although there was some confusion over how ‘strategy’ was defined by the coordinator himself.

Initial strategy meetings attempted to clarify the two definitions:

‘Strategy is concerned with the direction and the broadly defined action to achieve the mission or purpose of the organisation. Policy is a broad statement of intention. A plan is a framework which defines the long-term objectives and includes the analysis of the factors influencing the accomplishment of the mission, the development of integrated programmes for accomplishing the mission, the strategy to implement the programmes, the assignment of priorities and feedback to modify the strategic plan from time to time. The mission is the purpose of an organisation and its reason for being, expressed in a brief mission statement’.<sup>28</sup>

This definition, although not a formal one in the FAO management practice, was different than that used within World Bank and had a different impact on the outputs and purpose of the FAO Forestry Strategy.

In addition, designing a strategic change process and determining strategic priorities was difficult for the strategy coordination team because there was no overarching corporate strategic framework for the organisation during 1995—1999. Thus, the departmental strategy could not be guided by and complement an overarching set of strategic goals. Members of the FAO strategy team would recognize that they were unclear on whether

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<sup>27</sup> L. Flejzor, from a semi-structured interview with Interviewee #19, Session A. This interviewee also noted the meaning of strategy and vision in Europe, saying: ‘a vision is something much more practical – much more attainable [than a strategy].... Understand right from the beginning if you use the word *vision*, you have got this Atlantic divide in how people understand the word *vision*’.

<sup>28</sup> FAO (1996b), op cit., above at n. 23.

the strategy process would result in a binding policy or a non-binding strategy document. Little guidance on this issue was available to the FAO Forestry Department team during the strategic process. The strategy participants note that they used a few different management books, but recognized the limited applicability of these techniques, since FAO's constituency base was different.<sup>29</sup>

Since there was no corporate strategy for the FAO and no existing strategy for the FAO Department, it became difficult to select a strategic process to create the Department's new strategy.<sup>30</sup> The FAO strategy coordination team based the strategy content on the 1945 FAO mandate, which was 'to act as a neutral forum, and to give policy and technical advice to member governments'.<sup>31</sup> Since the 1945 FAO mandate guided organisational activities in the mid-1990s, the team created a strategic framework using the language from this mandate and within the scope of the corporate Medium Term Plan on which member states had already agreed.<sup>32</sup>

The core difference between the FAO and other strategies in this study is that the FAO limited the amount of 'forum' activities associated with the strategy formation process. This means that strategy formation activities were generally outside the control of FAO COFO and other global political events and conducted informally by FAO Forestry staff members.<sup>33</sup> This was a deliberate choice by the departmental leadership, which decided

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<sup>29</sup> The strategy coordinator noted that the books used came from a management consultancy, and others in the FAO Forestry Department said the techniques used in the private sector did not apply to those of the FAO. At the time the FAO strategy process started, the Centre for International Forestry Research (CIFOR) was the only other forest-related organisation to create a forestry strategy at the organisational level. The 1991 CIFOR strategy was costly and performed mostly by external professional facilitators (see < [http://www.cifor.cgiar.org/docs/\\_ref/aboutcifor/strategy/foreword.htm](http://www.cifor.cgiar.org/docs/_ref/aboutcifor/strategy/foreword.htm)>)

<sup>30</sup> The strategy coordinator noted: 'I started by trying to get all of my colleagues to identify, really, the big issues in the world of forestry, which we did. And then to go to the member countries and say, what did they see as important for them. I wanted to do it that way around because I wanted to have some idea from my colleagues, who of course had taken a global view of what they saw as being important'. L. Flejzor, from a semi-structured interview with Interviewee #19, Session A.

<sup>31</sup> L. Flejzor, from a semi-structured interview with Interviewee #19, Session A.

<sup>32</sup> As a scientist and forester, the strategy coordinator noted that it was difficult to act in the capacity of a facilitator. Although the FAO Forestry Department, in conjunction with the Field Operations Division and Investment Centre, worked intently to draft the entire strategy document, only one coordinator was in charge of making the changes and compiling the information for the strategy document. The coordinator, a previous FAO staff member, was brought on as a consultant for the entire strategy formation period (April 1995-May 1999).

<sup>33</sup> It should also be noted that in the private sector, strategy formation largely performed within organisational governance structures is not necessarily a bad thing. As in the case of IBM, tightly controlled management of strategic processes allows for clear and fast decision-making on new directions for the company. In a public organisation, however, a similar process is often difficult to justify, due to the changing governance patterns of IOs. The FAO strategy tried to utilise the strengths of its decentralised organisational structure while centralising decision-making on the strategy.

that a small decision-making team should take part in a ‘directive’ process.<sup>34</sup> The leadership believed that the FAO Forestry Department staff were equipped with the skills necessary to make informed decisions about FAO forest programmes. However, there was some need to change the strategic content based on feedback from FAO constituencies.<sup>35</sup> In other words, there was a desire for non-FAO staff to ‘participate’ in the strategy process, but not to the extent where those participating blurred priorities of the FAO Forestry Department so consensus could not be reached.

### **5.3 GENERATING INTERNAL ORGANISATIONAL AND INSTITUTIONAL FEEDBACK**

In 1996, it was expected that the FAO Forestry Strategy would be complete by April 1997. The time frame of the initial strategy formation was short, and it was clear that a number of iterations had to be produced during the strategy formation stage, as strategy formation was considered ‘dynamic and must be constantly improved through the process’.<sup>36</sup> The initial version of the strategy combined a goals and objectives section with an implementation plan. In this sense, there were not distinct phases of identifying goals and modalities to achieve these goals.<sup>37</sup>

To compile this initial draft strategy, FAO Forestry staff asked member governments for their perception of the FAO Forestry’s policy priorities and ‘corrections’. The information retrieved from FAO member states was sent to and analysed by FAO Forestry staff. This is different than the information on actual performance used by the World Bank – such as decreasing financial returns on projects and decreasing demand for project work – to determine the new strategic direction for the Department.

The senior forestry staff (e.g. the various Office Directors within the Forestry Department) involved in the strategy process also had their own views and perceptions on FAO Forestry priorities, which sometimes conflicted with the feedback from member states. This resulted in wrangling over ‘turf’ (e.g. departmental responsibilities) in the Forestry Department and divergent policy priorities between member states and FAO

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<sup>34</sup> L. Flejzor, from a semi-structured interview with Interviewee #21, Session A.

<sup>35</sup> FAO constituency is primarily FAO member states, with other international organisations and a few members of the NGO, research and business communities playing a minimal role.

<sup>36</sup> FAO (1996b), op cit., above at n. 23.

<sup>37</sup> In system dynamics, problems are first assessed and goals created in order to problem-solve. Only after goals are constructed are modalities, or tools for implementation, designed. For an explanation see, G. P. Richardson and A. L. Pugh, *Introduction to System Dynamics Modeling*, Waltham, Pegasus Communications, 1991.



Forestry staff. Once interdepartmental conflict subsided and consensus was achieved, initial 'strategies' on policy priorities were developed.

The first draft of the strategy was submitted to the ADG in February 1996. This document reflected that the draft document was a policy rather than a strategy, even though the document would be considered a 'strategic plan'. As the strategy coordinator noted:

'a policy [is a] broad statement of intention, and you might argue that it is not our intentions that are the subject of FAO's forestry policy, but the intentions of our member governments. This is of course correct, but our member governments have already stated that we should concentrate on those areas where we have a comparative advantage....For the sake of convenience,..I have continued to refer to the whole package as a strategic plan for forestry in FAO'.<sup>38</sup>

The objectives contained in the initial version of the strategy explicitly stated the need to give coherence to the FAO's forestry work at the headquarters and field levels, promote cooperation among other forest organisations and develop the document according to the mandate of the EFC, which could eventually be developed into a global forest strategy. The document noted that the strategy preparation combined a 'top-down' and 'bottom-up' approach, which used both communication with FAO staff and email communication with decentralised offices to compile information for the strategy document.

In this submission, the coordinator also noted the importance of linking the strategic plan to the FAO's yearly forestry report, the *State of the World's Forests* (SOFO). He suggested holding a retreat for the strategy formulation between May and June, to discuss how the strategy could be included in the 1998-1999 Programme of Work and Budget. The fourteen-page draft document contained an overview of the mission and overview of the FAO, the Forestry Department and a summary of the Forestry Department's relationship with other international organisations

As early as April 1996, the Forestry Department sought feedback from other FAO departments on drafts of the new forestry strategy. The Assistant Director General of the

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<sup>38</sup> FAO (1996b), op cit., above at n. 23.

Forest Department sent a memo to other FAO departments, requesting their nominations for participants in the Forestry Department's strategy process.<sup>39</sup> Additionally, decentralised FAO offices became involved at this stage of the strategy process, and project managers at the country level coordinated regional inputs. The key points from the feedback process are outlined in Table 5.1:

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<sup>39</sup> FAO, 'Inter-departmental email communication: FAO Forestry and Technical Cooperation Department, Investment Centre Division', 22 April 1996, 1996c. Despite these requests for participation, other forest-related departments had little time to participate in the forestry strategy process, although they sent feedback on early drafts of the strategy via email.

	Level of Feedback	Key Suggestions
<b>AFRICA</b>	Low	<ul style="list-style-type: none"> <li>- further attention to C&amp;I for SFM, NFPs and national desertification plans</li> <li>- more training for foresters</li> <li>- greater participation in the Intergovernmental Panel on Forests</li> <li>- increased financial resources for forest management</li> <li>- development of decentralisation strategies for participation</li> </ul>
<b>ASIA AND PACIFIC</b>	High	<ul style="list-style-type: none"> <li>- highlight the importance of woodfuel production, biomass fuels and other energy consumption and production issues</li> <li>- increase harmonisation, identification and mutual recognition of C&amp;I for SFM</li> <li>- recognise the importance of plantation forestry in sustainable forestry development</li> </ul>
<b>EUROPE</b>	Medium	<ul style="list-style-type: none"> <li>- strengthen FAO's role as a policy advisor</li> <li>- enhance operational competitiveness of FAO, including at the project level</li> <li>- make NFPs a priority for developed and developing countries, not just developing countries</li> <li>- use the terms afforestation and reforestation, instead of working to curb 'deforestation' as a long-term goal</li> </ul>
<b>LATIN AMERICA AND THE CARIBBEAN</b>	High	<ul style="list-style-type: none"> <li>- increase participation of countries in the IPF process</li> <li>- strengthen the role of RFCs and establish sub-regional groups as part of the RFCs' structure</li> <li>- contribute greater funding to the technical cooperation networks of the Commission in Latin America and the Caribbean</li> <li>- emphasise other sectors' contribution to deforestation and degradation</li> <li>- undertake further analytical work on regional interests</li> </ul>
<b>NEAR EAST</b>	Low	<ul style="list-style-type: none"> <li>- raise awareness of the importance of dryland forestry</li> <li>- increase attention to the biodiversity, climate change and desertification conventions' implementation</li> <li>- increase the importance of edible forest products</li> <li>- dissipate the tension between promoting long-term SFM programmes and NGO pressure to change country-level policies to secure greater donor funding</li> </ul>

Table 5.1: Key Suggestions from Regional Forestry Commissions on the FAO draft Forestry Strategy (source: author compilation of feedback from FAO RFCs and informal communication between FAO-government ministries)<sup>40</sup>

In addition to this feedback from the region, the strategy coordinator also conducted country-level field visits to assess needs of the RFCs. However, the feedback revealed the discrete priorities of each region and some did not reflect the global vision hoped for by the strategy coordination team. Although the regional staff participated in the information gathering process, FAO headquarters staff believed that they were mostly accountable to member states and thus member states' input was of greater priority.

<sup>40</sup> Based on communications from regional forestry communications to FAO Headquarters during 1996-1997, letter from Finnish Ministry of Agriculture and Forestry, October 1997 (internal FAO communication), and Regional office for Latin America and the Caribbean communication, 11 May 1996.

Much of the new ideas from the regions were contained in the strategy's priorities for SFM, a key concept of the 'Forest Principles'.

As the information was fed back to the headquarters level, however, there were a number of problems with decision-making within the FAO Forestry Department. The internal FAO drafters of the strategy noted the challenge of sifting through large amounts of feedback and how to package it correctly. One participant in the strategy process noted that during the introduction of new ideas, Forestry Department 'directors were -to a degree – defending turf – and in part worried that the strategy coordinator was promoting his own division's interests'.<sup>41</sup>

It came down to the ADG of the Forest Department to engage in the process and make a decision on the content of the strategy. Additionally, there were difficulties in putting together the strategy, since many of the people that needed to be involved in the process were either too busy to get involved because of their normal duties or were engaged in the strategy on top of their normal duties. One interviewee indicated that this is a reason as to why staff felt the need behave in a reactive manner toward the issues in the strategy and think on a short-term basis. There were indications from FAO staff that only a few people were able to be proactive and think in the long-term, and these staff members were not necessarily the youngest or from a Western culture. For the strategy team, it became a 'difficult balance to strike'.<sup>42</sup>

Prior to the strategy's distribution outside the FAO, an 'all-day Journée de Réflexion' was held at FAO headquarters to discuss ideas in the draft strategy.<sup>43</sup> FAO Forestry personnel encouraged other staff participation in the meeting and output from the meeting was incorporated into the draft strategy. The staff present at the event comprised a newly assembled Forestry Strategy Advisory Group (FSAG), which contained 35 FAO staff members. During and in response to these meetings, some attendees suggested that the strategic objectives for the new Forestry Strategy be broader and include references to economic growth, economic degradation, reduced social degradation, and improved environmental conditions.<sup>44</sup> The FSAG also decided that a global ranking and

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<sup>41</sup> L. Flejzor, from a semi-structured interview with Interviewee #19, Session A.

<sup>42</sup> L. Flejzor, from a semi-structured interview with Interviewee #19, Session A.

<sup>43</sup> FAO (1996g), op cit., above at n. 13.

<sup>44</sup> FAO, 'Email communication: Forest Products Division to Forest Resource Development Service', 14 May 1996, 1996e.

categorisation of the substantive issues might be required in the strategy. As a result, the FSAG identified and ranked the importance of issues under six core themes.<sup>45</sup> The control of the draft strategies would rest in the hands of the FSAG until the strategic change process concluded in 1999.

The initial draft of the strategy emerged with a range of ideas, based on a variety of internal staff input. There was little focus in the initial draft strategy, and already complaints and criticisms about the feedback process were being received. For instance, members of the Forestry Department provided internal responses to the early drafts of the strategy, noting that the initial draft was a good ‘background and working document’ for the strategy, but was not actually a ‘strategy’ per se.<sup>46</sup>

It was noted that the strategy section should be the ‘guts’ of the document, and that further clarification between strategies as ‘actions’ and ‘operational means’ required further clarification.<sup>47</sup> For instance, some of the FAO Forestry staff suggested that the timeline for implementation should be separate from the strategy document, and used only for internal purposes. This would reflect an approach closer to the World Bank’s process, which developed separate strategy and Business Plan documents.

The objectives in the initial draft document contained broad references to goals and implementation, but including reference to important themes that FAO Forestry provides including participating in efforts to manage and utilize global forest resources, improving ‘the supporting policy environment for the forest sector’, ‘acting as a global forum for discussion’, encouraging partnerships and ‘mobilization of technical assistance to developing countries’.<sup>48</sup> However, the initial strategy and its objectives were not recognised as legitimate outputs of the short FAO Forestry Department

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<sup>45</sup> These six themes focused on: population growth; agricultural production; stricter environmental controls; the location of major forest resources and the major population centres; rapid urbanisation in developing countries; and the rapid introduction of communication and information technologies. FAO, ‘Facsimile communication to the Regional Forestry Commissions’ 29 April 1996, 1996d.

<sup>46</sup> FAO, ‘Internal memorandum between FAO Forestry Department staff’, 31 May 1996, 1996i. In this memo, the officer in charge of reviewing the strategy also notes that the FAO Forestry Department’s ‘missions, goals and objectives’ are still missing, saying that the FAO Forestry Department’s mission is ‘the unique forum able to harmonize and discuss world forestry policies and its inter-relation with food and agriculture disciplines’, that FAO is the only organisation in the agriculture sector to do this, and that the mission statement was not ambitious enough.

<sup>47</sup> FAO (1996i), *op cit.*, above at n. 308, at 2. The memo indicates that strategies are ‘means or methods of achieving one’s goals—rather than specific actions’ and proposed including four or five strategies with corresponding activities beneath each of these goals.

<sup>48</sup> FAO, ‘Email communication: Forest Products Division to Forest Resources Development Service’, 17 May 1996, 1996f.

strategic process. A number of FAO staff associated with the strategy formation complained that: the procedure for drafting the strategy was not appropriate thus far. These criticisms noted that the strategy development process was too fast and that more time was needed to mature ideas; greater participation by FAO foresters and non-foresters was required; commenters became conflict-averse when emails were sent out by the strategy coordinator, requesting feedback on the draft; and coordination of the strategy should be taken by an 'FAO outsider'.<sup>49</sup> This indicated the need to extend outreach to other FAO stakeholders, to increase the strategy's external and internal organisational legitimacy.

The FAO staff considered this initial draft strategy backward-looking, reflecting the 'status quo'.<sup>50</sup> This indicates that the FAO Forestry team were constrained by inertial forces in the organisation, as the staff adhered to existing norms on forests and forestry that pre-existed in the Forestry Department. Moreover, it indicates that the FAO Forestry Department was suffering from a governance gap in obtaining information for its new strategy document. Despite these concerns, a new approach for the strategy was not designed.

The strategy process continued, with the strategy coordinator producing more iterations of the strategy document. By the end of 1996, the Forestry Department had produced eight drafts of the strategy document.<sup>51</sup> Key themes emerged, but initially varied according to the Department's priorities. The FAO Forestry Department drew attention to the need to address food security, the importance of trees in mitigating natural disasters and conversion of land for agricultural use. Some offices suggested the need to pay greater attention to food security, while others suggested greater attention to the reduction of wood waste. Even at the working level, however, there were clear divergences in views from departmental staff.

The wrangling over ideas and turf in the Forest Department to a degree stalled the process, and for a time there was a question about the strategy coordinator's neutrality. Some FAO Forestry Department staff suggested that an external facilitator play a role in the drafting of the FAO Forestry Strategy, especially since the main strategy coordinator

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<sup>49</sup> FAO (1996i), *op cit.*, above at n. 46.

<sup>50</sup> FAO, 'Email communication, "FAO's Strategic Plan for Forestry"', 30 September 1997, 1997b.

<sup>51</sup> By July 1997 there had been 11 drafts of the strategy.

was retiring in 2001. Some believe that he lacked the long-term vision or had a stake in the department's long-term performance. Some FAO also staff believed that external coordinators for the strategy were required, but there was no money available to hire such staff.<sup>52</sup> Only in later corporate strategic practices were external coordinators hired at an extra cost to the organisation.

Thus, norms, routines and inter-departmental wrangling over the strategy's priorities were building in the strategy formation process. This resulted in positive feedback behaviour in the strategy process, which is represented in the diagram below (Diagram 5a):

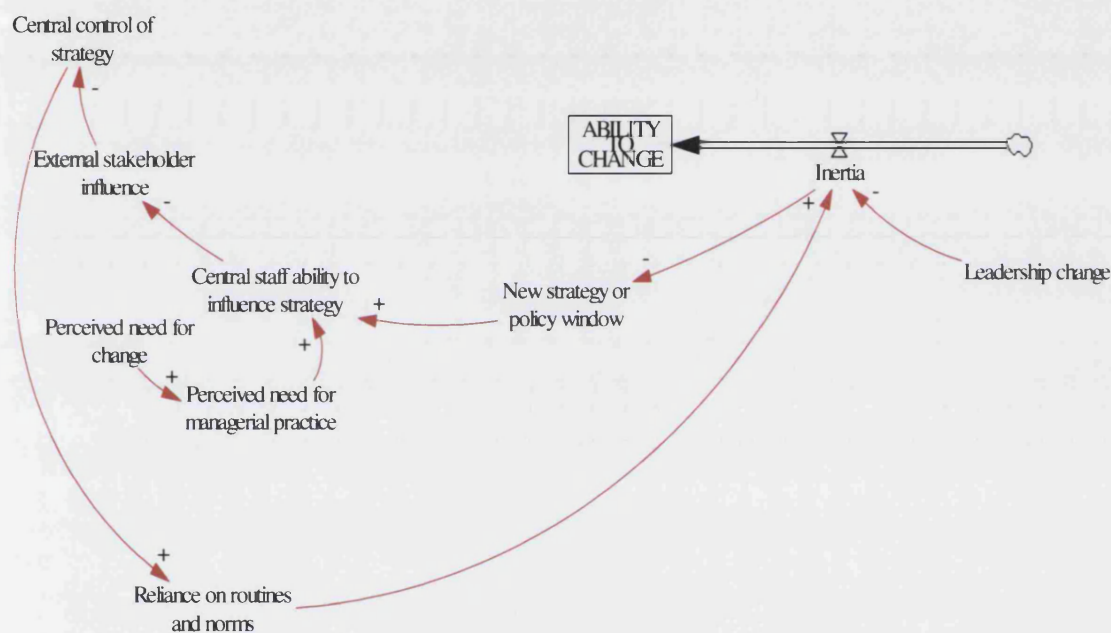


Diagram 5a. Reinforcing Feedback in the FAO Strategic Process (source: the author)

Long-time FAO employees were located within the FAO Forestry Department, and as a result, such employees were somewhat resistant to the introduction of a new management practice of strategy. The ADG's perceived need to change prompted the formation of largely centralised strategic change process. The centralised control of the strategy gave the headquarters' staff a high ability to influence the strategy content and process. Member state and external organisational stakeholder influence on the strategic change process was low, since the internal staff had the perception that the strategy formation process should not be fully democratic – it was largely an internal exercise.

<sup>52</sup> L. Flejzor, from a semi-structured interview with Interviewee #19, Session A.

This, coupled with the limited effectiveness of outreach to the FAO's decentralised offices, led FAO forestry staff to rely primarily on member states and other FAO staff for input to the new strategy document.

Further, the FAO forestry staff continued to use similar approaches to idea generation and strategy formation. As a result, the strategy content and process began to lose momentum as well as its focus. It would take external events and decoupled structures to move the strategy process toward completion. The support and feedback obtained from the institutional structures within the organisation and the support of key management would eventually help the FAO Forestry Strategy be approved.

#### **5.4 OVERCOMING INERTIA**

A draft strategy was presented to COFO in 1996, although it would take thirty-seven more drafts before the strategy was finally approved. While COFO provided some feedback on the draft strategy, the FAO Forestry staff retained primary control over the strategy's content. However, a number of FAO staff suggested that the strategy should gather greater input from other actors, and not just rely on COFO and the RFCs' input on the draft strategy.

As a result, the strategy was presented to other stakeholders at regional and global events, as few new ideas were emerging from FAO staff. The World Forestry Congress (WFC) in 1997 in Antalya, Turkey, allowed the FAO to engage with member governments for feedback on the draft strategy. Based on feedback received from the WFC process (primarily) and other processes (UNFF secondarily) the economic aspects emerged as a key point that FAO chose to reflect in the strategic plan.<sup>53</sup>

Additionally, FAO sought the help of an external consultant to help improve the draft strategies. In June 1997, the FAO requested for the first time an outside consultant to draft best practices in strategic planning for public sector organisations. The consultant suggested 'strategic planning is the responsibility of managers and must be led by the

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<sup>53</sup> At the time of the 1997 WFC, the terms sustainable livelihoods and poverty alleviation were not central concerns of the forestry sector. Although the FAO Forestry Strategy was designed to cover a 15 year period, the Forestry staff were sure that the FAO MTPs would capture such emerging issues. Thus, poverty alleviation was not a key idea that was infused in the draft strategies.



top managers'.<sup>54</sup> His report recommends that strategy should contain an analysis stage, which addresses the investigation of mandates, stakeholder requirements, the role and purpose of the organisation, an external and internal SWOT analysis, and identification of strategic issues; a choice or appraisal stage; and an implementation or action stage. By the time this document had been received, however, the FAO strategic change process, specifically the idea generating stage, had been relatively fixed.

The strategy coordinator was also updating the strategy as more feedback was being received from stakeholders in the field and at headquarters. In September 1997, another iteration of the strategy was sent to the Regional Forestry Commissions and to the FAO Assistant Director Generals. The draft strategy identified three goals – social, environmental and economic – and implementation strategies which resemble the final goals. These are: fulfilment of mandated roles, setting priorities and building partnerships.<sup>55</sup> The document changed little substantively and structurally from later versions distributed in 1998.

However, key leadership changes related to the strategy process would have an impact on its final approval. Just before his departure in late December 1997, the Forestry ADG sought feedback from other external stakeholders on the latest iteration of the draft forestry strategy. Another iteration of the draft document was sent to other organisations: CIFOR; International Union of Forest Research Organisations; UN Educational, Social and Cultural Organisation; UN Industrial Development Organisation; UN Economic Commission for Europe; CBD; UNDP; the UN Department of Economic and Social Affairs; the World Bank; and NGOs, such as Greenpeace and the World Wide Fund for Nature. It was also sent to governments such as Finland, the US and New Zealand and others closely involved in forest strategy at the time. In December 1997, the draft plan was also placed on the FAO Forestry website in three languages, to encourage public consultation and feedback.

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<sup>54</sup> R. Smith, 'Best Practice in Strategic Planning for Public Sector Organisations: An overview prepared for the FAO', Civil Service College, Sunningdale, UK, 24 June 1997, at 2, para 1. The author draws on John Bryson's public management guidance in 1988. The document also notes the strategy's link to performance, where 'core objectives, which embrace role and purpose and mission are contrasted with change objectives, which emerge from the later analysis and represent things which need to be changed in order to improve performance against the core objectives', Smith (1997), at 5, para 16.

<sup>55</sup> FAO, 'Office Memorandum: Harcharik to ASGs and RFCs', 6 November 1997, 1997d.

The Forestry ADG would become Deputy Director General (DDG) of FAO, and a new ADG of the Forestry Department would be appointed. The new Forestry ADG was receptive to continuing the strategic change process in FAO Forestry. He arrived around the time of the tenth draft of the strategy, in early 1998, when most of the ideas for the strategy had already been assembled. He encouraged participation by member states in the drafting of the strategy, but was also realistic in understanding that ‘pure democracy’ would not work so late in the process.<sup>56</sup> He was responsible for going to the RFCs’ meetings during 1998 and discussing the draft strategy with participants. While significant responses were not returned from these sessions, the time spent providing outreach to the regional stakeholders helped the Department refine and prepare the new forest strategy document for presentation at COFO in 1999. Thus, the decision-making process was tightly controlled by the FAO Forestry Department in both the early and latter stages of the Forest Strategy.

As the previous ADG was departing for his new post, he noted to a number of participants in the strategy process that he would ‘keep an eye’ on the strategy development from his new post.<sup>57</sup> Thus, the new forestry strategy received leadership support at the ADG level and at the corporate level in FAO. Both leaders would have a vested interest in its successful conclusion.

Just as the FAO Forestry Strategy began to take shape, however, a broader strategy initiative at the corporate level began to have an effect on the content and structure of the FAO Forestry Strategy. The departure of the Forestry ADG also coincided with the beginning of the new corporate strategy formulation process, which was driven by the FAO Programme, Budget and Evaluation (PBE) office. The new corporate strategy process was drafted for FAO’s long-term activities in the period 2000—2015, to provide a directive for each of the FAO departments. The process began in late 1997 and was formed over a three-year period.

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<sup>56</sup> It was believed that the technical expertise to make decisions on the strategy should already be present in the organisation. The strategy process, it seemed, was not the time to engage in a forum-type discussion, like what was held in COFO or other discussion oriented bodies. The objective was to limit the discussion over ideas and focus existing FAO Forestry work. Over time, the new leadership and staff also recognized that ‘turf protection’ among the forest agencies was a dangerous approach, and the need to increase FAO’s partnerships was something that should address multilateral as well as regional cooperation.

<sup>57</sup> FAO, ‘Facsimile transmission: Forestry Department to Regions’, 30 December 1997, 1997e.

### *A New Corporate Strategy Process*

The new DDG realised that, like the Forestry Department, FAO needed an improved strategic framework to guide its programmatic activities. Unlike the FAO Forestry Strategy, functional departments led the drafting of the Framework.<sup>58</sup> However, other departments took responsibility for drafting parts of the strategy on functional areas other than their own (e.g. the Forestry Department took responsibility for drafting the information technology component of the corporate Strategic Framework).

The leadership in the FAO learned from the Forestry Department's experience with strategy, and obtained an external facilitator to engage new stakeholders during the formation of the Strategic Framework. This approach was taken to ensure greater objectivity in the formation process and generate open communication. In another attempt to ensure objectivity, the FAO Departments were also assigned to draft different functional strategies on issue areas other than their own. The aim of this approach was to increase departmental knowledge of other organisational issue areas and avoid 'turf protection'. In this sense, any norms and biases established within specific departments were more likely to be overtaken during strategy formation, as departmental staff were not responsible for drafting their own programme strategies.

This approach was different than the Forestry Department's approach, since staff from different Departments were involved in drafting the Strategic Framework in each of the functional areas. The drafting process for the Strategic Framework became a collaborative approach, with departmental staff members contributing to a variety of issue areas in the corporate strategy. Their focus was to discuss how departmental work fit into the larger 'service goals' of the organisation.<sup>59</sup> Like the FAO Forestry

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<sup>58</sup> However, a number of FAO staff questioned the need for a new strategic framework when an FAO Medium Term Plan existed and was already drafted and approved with member state input. A Medium Term Plan should set strategic goals for organisational programme work over a five year period, and guide programme and budget plans within that period. L. Flejzor, from a semi-structured interview with Interviewee #18, Session C.

<sup>59</sup> In early 1998, a Core Planning Group was arranged to take the lead in preparing the Strategic Framework and also had the role of keeping other Departmental staff updated on the strategy process. A seven page questionnaire was sent to FAO member states to generate feedback on countries' priorities and the preferred direction of the organisation, even before the first draft of the strategy was assembled. The PBE office developed an internal questionnaire for departments to state how their goals combined with the larger 12 'service goals' of the FAO. Each department was required to explain how its strategic goals could be achieved and why it was chosen. The FAO also arranged a half-day practical workshops, 'using strategic planning techniques', to help Departments prepare documentation for the corporate strategy. FAO, 'Email communication: Intra-Forestry Department Communication', 30 January 1998. Initial drafts of the strategy contained a section on the FAO's Constitution, its comparative advantage, its institutional values, its external environment and its goals and objectives. Feedback and guidance were sought from the

Department, however, FAO senior management perceived that they were accountable to member states and one member organisation – the EU – as the key “*de facto*” stakeholders of the FAO corporate Strategic Framework.

The preparation of the corporate strategy was straightforward for the Forestry Department, as they were still involved in their own strategic planning process. Parts of the draft Forestry Strategy, in particular the section on mission, goals and vision of the Forestry Department, were submitted for inclusion in the corporate strategy. Although the Forestry Department did not have control over drafting the forest sector input for the corporate strategy, many FAO staff noted their support for the corporate strategy process. Since the department responsible for drafting the strategy on forests did not have the interest of the Forestry Department in mind, the Forestry Department had to build their case for including specific forestry-specific priorities. Similarly, the Forestry Department, which was responsible for drafting the information systems portion of the corporate strategy, had to find common ground with the information technology department. Staff note the many different intellectual and cultural perceptions involved in the corporate strategy process.<sup>60</sup>

As the corporate Strategic Framework was being drafted, there was greater internal, hierarchical control over the Forestry Strategy contents. Since there were no other FAO strategies on other issue areas, the presentation and content of the Forest Department’s new strategy seemed out of place. The drafting of departmental-level strategy, unlike other organisations, did not follow a broader corporate strategy. In this case, the FAO Forestry Strategy existed before the FAO Strategic Framework. In an attempt to fix this timing problem, greater ideas from the corporate Strategic Framework were infused into the Forestry Strategy. An initial draft Forestry Strategy with components of the corporate strategy were considered at the COFO in 1999.

At COFO (1999), member states provisionally accepted the draft mission statement, goals, medium-term objectives and vision for the new FAO forestry strategy and

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Senior Management Meeting (occasional meetings between FAO ADGs, the Director General and the Deputy Director General) and a number of iterations were produced, although within a shorter timeframe than the Forest Strategy.

<sup>60</sup> For instance, one interviewee (#19, Session B) noted that even though the concept of strategic planning was a Western management approach, some of the staff most resistant to the new strategy formation were from Western countries. He also indicated that some of the most innovative suggestions came from FAO staff from developing countries.

suggested improvements.<sup>61</sup> The draft strategy explains pressures on forests due to population growth, changing consumption patterns, the role of resource access rights for indigenous people, water supplies, food production, pricing of wood resources and weak institutional framework for forest management.<sup>62</sup> COFO thanked the FAO for preparing the document in a ‘participatory and transparent manner’. It requested that ‘the Forestry Department look at its comparative advantages and that quantifiable objectives and indicators of progress be developed to allow monitoring and evaluation’; noted the need for prioritization of areas; and expressed its desire to give greater attention to afforestation and reforestation in low forest cover countries, sustainable wildlife management and SIDS.<sup>63</sup>

The Forestry Department waited for future versions of the corporate strategy before redrafting the forestry strategy and submitting it to the FAO Programme and Finance Committee. There were internal politics to the FAO as to how the FAO forestry strategy should be presented at the final FAO Conference for approval, as there was not an associated strategy drafted for other departments working on issues, such as fisheries or plants. From the time of the presentation of the draft forestry strategy to COFO until the FAO Conference, the draft forestry strategy had to be revised to draw out more of the corporate strategy goals in the final document, as the corporate Strategic Framework was reviewed alongside the Forestry Department’s new strategy.

Nevertheless, the final Strategic Framework 2000—2015 was approved in November 1999 at the 30<sup>th</sup> FAO Conference. However, member states at the FAO Conference requested a third official draft of the FAO Forestry Strategy, which included the approved Strategic Framework 2000—2015. Upon review of the draft Forestry Strategy, FAO member states suggested deleting references to areas of progress and needs, which included public participation and a greater need for investment in SFM.

The final forestry strategy, which was eventually published in 2000, contains an overview of FAO and a description of how the FAO Forestry Strategy links to the broader corporate strategy. It provides a mission statement, ‘to enhance human well-

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<sup>61</sup> FAO, ‘FAO Strategic Plan for Forestry, Third Official Draft’, November 1999, 1999b. While most of the text approved at this session appears in the final document, the process by which the strategy was formed, a description of key issues and opportunities, and the FAO Forestry Strategy’s contribution to the Strategic Framework 2000—2015 was removed.

<sup>62</sup> FAO (1999b), *op cit.*, above at n. 61, at 5—6.

<sup>63</sup> FAO, ‘FAO COFO: 15<sup>th</sup> Session Report’, 20 May 1999, 1999a, paras 46—49.

being through support to member countries in the sustainable management of the world's trees and forests'.<sup>64</sup> It contains three overarching goals, including an increase in reliable forestry information, and three strategies, including building partnerships in the multilateral and national spheres and with NGOs and the private sector. There are three sections that plan for FAO Forestry's medium-term, current, and long-term activities. There was little resistance or feedback received on the FAO Forestry Strategy at the Conference. After its approval in November 1999, FAO Forestry staff used it as a way to guide their daily planning activities.

Although it took longer to complete than expected, the FAO Forestry Strategy was approved three years after the process began. This was primarily due to the emergence of corporate strategic practices, the need for institutional acceptance and the support of departmental and executive leadership. While the process and content of this FAO strategy may not seem to represent transformational change, the approval of the 1999 'FAO Strategic Plan for Forestry' was the first document to establish a vision and new mission outside of the 1945 FAO mandate. The strategic change process is represented in Diagram 5b:

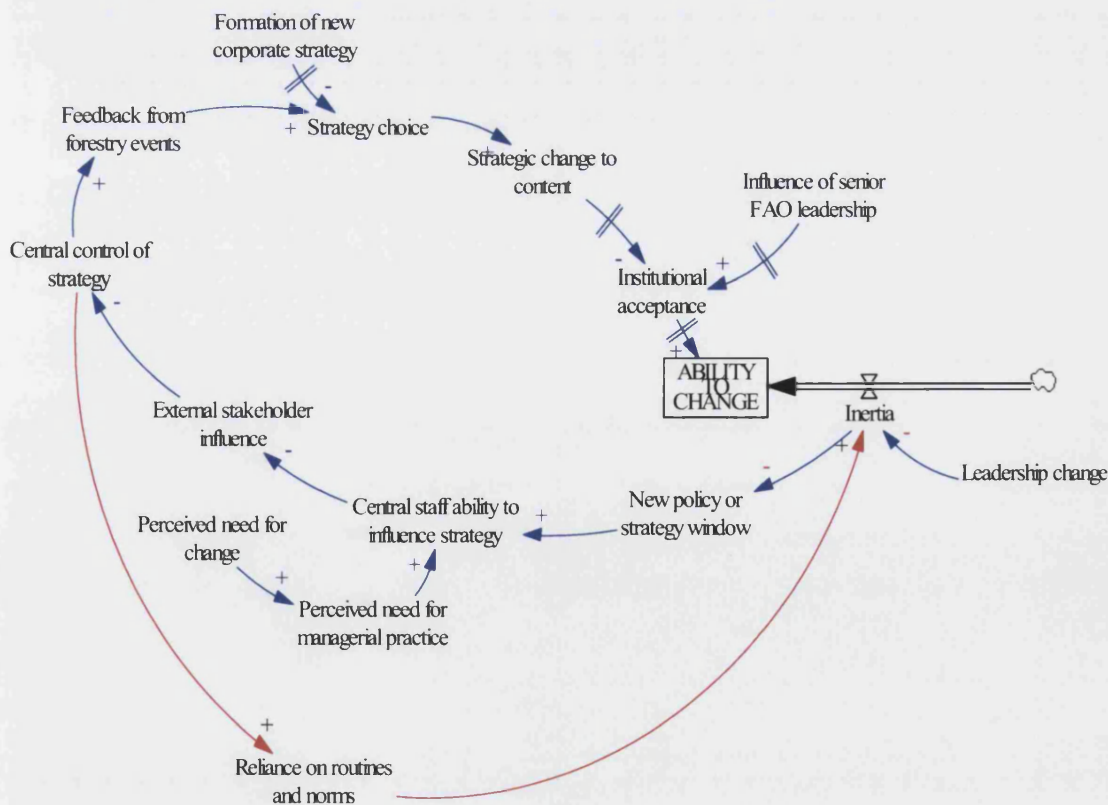


Diagram 5b. Positive feedback in FAO strategic change (source: the author)

<sup>64</sup> FAO, 'FAO Strategic Plan for Forestry', Rome, FAO, 2000, at 1.

After the initial drafting of the Forestry Strategy, strategy formation remained tightly controlled by FAO Forestry staff. This resulted in the reliance on established strategic routines. It also built the perception in the FAO that the strategy team was thinking 'in the box' about the strategy (i.e. the team was limited in their viewpoints on the type of strategy needed for the department by not considering new and emerging forestry trends discussed in the external environment of the organisation). While this prompted criticism about the Forestry Strategy after it was approved, there was not a departure from the chosen strategic process until late in its development.

The emergence of institutional support, namely from COFO, the WFC and other regional events helped build consensus around the Forestry Strategy ideas. The beginning of the corporate strategy process, which caused delays in the Forestry Strategy's approval, actually reshaped the contents of the Forestry Strategy so that it gained further support within the FAO. Since this input was generated late in the strategic formation process, the emergence of new ideas was low. Thus, the variety of strategy and policy choice existed in the initial stages of the strategic formation process, when input was sought from the various forest departments in FAO, and from existing documentation on forests in the multilateral sphere (e.g. the Brundtland report).

The policy and strategy choices available were generated by internal and some external organisational stakeholders, and by the initial ADG's desire for the department to have a greater focus in its work. The change in leadership at the ADG level and consistent support of the Deputy Director General throughout the latter stages of the process helped ensure the approval of the final Strategic Plan for Forestry. Enough FAO constituencies had been contacted during the process, and supported the Forestry Strategy, enabling the strategy team to overcome inertial forces in the organisation and increasing the organisation's ability to change.

However, negative feedback was received from the regions and member states on the strategic change process, which indicated that the final strategy was not fully representative of the local needs in the regions. While this did not halt the strategy process, it prompted staff within the organisation to suggest that in the future, departmental strategy should be formed by more objective facilitators. Yet, the outcome of the strategy was one that was envisioned by the leadership in the beginning of the process – it was to be an internally drafted document, meant to focus the staff's work,

with the longer term objective of restoring credibility of FAO programmes in the minds of global political and technical forest actors.

As of 2005, some interviewees note that the 1999 Forestry Strategy needed an update.<sup>65</sup> Others claim that the policy priorities, such as economic policy and product activities of the organisation, were not well balanced in the 1999 Forestry Strategy. In the future, staff suggest that other impacts on forest areas need to be mentioned in the strategy. The revised strategy will draw from multilateral events, such as the negotiation of the new international arrangement on forests and renegotiation of the International Tropical Timber Agreement.

## **5.5 REVIEW AND ESTABLISHMENT OF NEW STRATEGY PROCESSES**

In the case of the FAO Forestry Strategy, it was clear that the strategic change process was leadership driven. It began with the initiative of the new ADG of the Forestry Department and continued after his departure. The strategy created in 1999 helped to guide the policy work of the FAO Forestry Department at the headquarters' and regional levels. The three pillars of the Strategy - environment, economic and social policies - showed that the FAO was forward-looking in its view toward SFM in forested areas.

However, is a forestry strategy, which took nearly three years and 38 drafts to complete really useful in the end? As one interviewee noted,

‘there is neither the feeling within the FAO Forestry Department nor the pressure from FAO member governments to go on constantly revising [the 1999 Forestry Strategy] because we have a rolling MTP for FAO, and we have much broader objectives for FAO. So to a degree [the 1999 Forestry Strategy's] been overtaken by events’.<sup>66</sup>

This is an indication that corporate-level strategy may provide enough strategic direction for the Forestry Department in the future. However, others insist that a new strategic direction will be needed in response to a new IAF, the outcomes of the COFO 17<sup>th</sup> Session, and the MDG review in September 2005. Recommendations, especially coming out of the recent COFO in 2005 will allow the Forestry Department to cluster priority issues on global forests into six or seven categories, including forest fires and illegal logging. Goals for the organisation are not set for more than a five-year period; the staff

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<sup>65</sup> L. Flejzor, from semi-structured interviews with Interviewees #19, Session A and #21, Session C.

<sup>66</sup> L. Flejzor, from semi-structured interview with Interviewee #19, Session B



recognize that it is a 'dynamic' process where the documents will constantly change and improvements will need to be made to the approach used for strategy formation.<sup>67</sup>

The impression of some staff is that the next time the Forestry Department revises its strategy, it will be at the direction of the organisation instead of FAO member states. Further engagement with a broader range of stakeholders may be required and encouraged in future strategic change processes, it has been suggested by the ADG that FAO encourage greater participation in future strategy processes. Nevertheless, even after the formation of the new strategy, FAO is regaining its credibility in the forest sector. For example, one external FAO stakeholder noted that the FAO had really rebounded from its poor performance in the early 1990s and is still respected for its technical credibility in the forest sector.<sup>68</sup> Despite this increased credibility, some suggest that the lack of political will to focus on the forest issue at the global and national levels will be a key impediment to implementation of the Forestry Strategy at the local level.

However, as the FAO is still adjusting to the new planning methods, it is unclear whether evaluation of field and central organisational performance will be enough to help guide planning in the future. At the current time, member states and external stakeholders suggest that there are problems with: funding for FAO Forestry;<sup>69</sup> adequate capacity; and desire to report information at the field-level. Moreover, as of November 2005, the Director General of the FAO decided to reorganise a number of FAO Departments, including Forestry. Such a reorganisation will have implications for the formation of a new Forestry Strategy and continued implementation of the existing one.

It is possible that in the future, greater effort should be made by FAO staff to undertake evaluation and planning activities at the regional level. The changing composition of the FAO forestry team and corporate management will also have an impact on strategic change processes in the future. Some past participants in the strategy note that they have achieved a good 'balance' in determining their programme priorities and listening to

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<sup>67</sup> Both senior-level and departmental-level staff recognize that strategy is a 'dynamic' process in their interviews.

<sup>68</sup> L. Flejzor, from a semi-structured interview with Interviewee #30, Session A.

<sup>69</sup> The current FAO Forestry budget is 4.2% of the total FAO Regular (Administrative) Budget (source: FAO Secretariat staff presentation, COFO March 2005).

member states. This stands in contrast to ten years ago when the department took ‘too much of a lead’ in determining forest programmes.<sup>70</sup>

This means that feedback about the FAO’s performance, through implementation documents and other field level C&I for SFM will have to be taken into consideration when revising the 1999 Strategy. However, other additional criteria, such as the focus of the FAO Forestry programme and the impact of multilateral events will have to be evaluated as components of the problem the FAO must solve in the near-term. This, of course, will be based largely on perceptions and the quality of information received from FAO Regional Forestry Commissions.

FAO Forestry has a high ability to learn from its recent strategic change process. Clearly, if another strategic process is undertaken, FAO Forestry staff will have to consider the content and formation of the corporate Strategic Framework and apply new participatory approaches to information collection. However, staff have doubts about the FAO’s (and UN system organisations, more generally) ability to implement participatory planning practices, since ‘lack of resources for evaluation and planning [suggest] that sometimes even when such lessons filter from the ground up, they are often not absorbed into the organisation’s culture or planner’s consciousness’.<sup>71</sup> They also note the difficulty of finding financial resources for evaluation and other types of introspective activities, although this is not the only the determinant of programme and project choices in the FAO.

Additionally, the Forestry Department does quite a lot without feeling constrained by financial resources. Although it does not necessarily have the ‘convening power’ of the Bank, it raises a considerable amount of extrabudgetary funding for its forestry work. Forestry staff do not see a problem with the current method of securing resources, which rely heavily on independent fundraising to conduct FAO activities. Staff of the Forestry Department, however, realise the necessity of relying on partnerships when they are time constrained. As a result, the FAO will encourage that initiatives be shared with other partner organisations, such as the International Tropical Timber Organization.

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<sup>70</sup> L. Flejzor, from a semi-structured interview with Interviewee #19, Session B

<sup>71</sup> L. Flejzor, from semi-structured interviews with Interviewees #22, Session A

In the overall strategic change process, the FAO used the broader Strategic Framework, the MTP, its biennial budget, and Implementation Plan to plan on the corporate level and gauge performance. These documents are to help FAO focus on its comparative advantage. Even though the Implementation Plan is the core way in which, at the corporate level, the FAO is meant to assess its performance, decision-makers in the organisation admit that not everyone's expectations of the organisation will be met.<sup>72</sup> The information contained in the Implementation Plan help to establish criteria for this performance. Even if perceptions of poor performance are increasing in FAO's internal and external organisational environments, they may not be explained clearly to the staff at the FAO.

## 5.6 CONCLUSIONS

Due to the high level of threats and responses to the FAO's poor performance with TFAP in the early 1990s, the FAO Forestry Department's leadership embarked on a new strategic change process in 1996. Ultimately, this process would change the image of the FAO Forestry Department and begin the application of strategic planning as a FAO practice. The process marked a departure from the original FAO mandate, focusing explicitly on the work of the forest sector. The vision for the strategic process was developed largely by internal FAO Forestry staff. Throughout the strategic change process, the reliance on established norms and practices, developed during the initial stages of the strategy process, increased within the Forestry Department.

Initially, the strategy coordination team did not use any particular management technique, and external consultants were not used during the strategy formation process. The bulk of the new ideas contained in the strategy were gathered within the first year of the strategy process, and the inclusion of new ideas significantly diminished after the departure of the ASG and later development of the corporate Strategic Framework. Although there were some practices and norms in FAO Forestry that led to little initial willingness to create a separate forestry strategy, the strong push to have a forestry strategy after a change in departmental leadership increased the new strategy's chances of success. In addition to departmental leadership support, the FAO Deputy Director General also advocated for the new FAO forestry strategy.

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<sup>72</sup> L. Flejzor, from a semi-structured interview with Interviewee #21, Session A

The level of participation from external stakeholders was minimal during the strategic change process. While the primary need of the Forestry Department was to focus the Department's activities, the limited outreach conducted with stakeholders puts into question just how representative the 1999 Forestry Strategy was of FAO constituency as a whole. While the newly established managerial routines set a precedent for forming future departmental and corporate level strategies, there are still opportunities for FAO to learn from the pitfalls of the previous processes and be more inclusive in future processes. External stakeholder outreach, especially from the RFCs, occurred very late in the current process. Arguably, a broader gauge of performance, problem assessment and goal setting activities, using a range of external stakeholder consultations, will be beneficial when undertaking or considering future strategic change processes.

Nevertheless, the introduction of a new managerial practice changed existing organisational behaviour during a key time in the FAO. The strategy process shaped behaviour when there was little resistance to change in the organisation, especially since it occurred just after the FAO decentralisation initiative and at a time when a limited amount of forum activities were taking place in the multilateral sphere. The dynamic, positive feedback loop leading to transformational change in the FAO occurred only once within a ten-year timeframe. The creation of strategy enabled change to occur at the department and later the corporate level, to re-orient strategic and planning practices in the medium-term. This process stands in contrast to the second part of the empirical work for this thesis. In the next part, policy plays a larger role in guiding the strategic change process within two IOs, the International Tropical Timber Organization and the UN Forum on Forests.

PART III:

**ENACTING CHANGE USING POLICY:  
EMPIRICAL TESTS OF INCREMENTAL AND REGRESSIVE  
CHANGE**

The second part of the empirical work explains strategic change in the International Tropical Timber Organization (ITTO) and the UN Forum on Forests (UNFF). These organisations were largely focused on the development of policy rather than strategy as a primary mechanism for planning forest and administrative work and gauging organisational performance. Policy was formed within central governance structures within both organisations, and the tight control of the processes within these structures resulted in limited strategic change outputs. Chapter Six discusses the ITTO's formation of the Libreville Action Plan and the Yokohama Action Plan and International Tropical Timber Agreement renegotiation, which led to incremental changes in process and substance in the outputs. These outputs resulted due to the utilisation of previous strategic change processes and strong organisational inertia. The final empirical chapter on the UNFF shows how time-bound policy formation was impeded by strategy, resulting in a regressive change to a UNFF policy output. These chapters explain why, in the new millennium, improved strategic processes and a better understanding of policy and strategy application is required for international organisations working in the forest sector.

## **CHAPTER SIX: INCREMENTAL STRATEGIC CHANGE IN THE INTERNATIONAL TROPICAL TIMBER ORGANIZATION**

The International Tropical Timber Organization (ITTO) relied upon organisational routines to form policy and strategy outputs during May 1994—May 2005. The ITTO utilised similar strategic change processes to the UN Conference on Trade and Development (UNCTAD) in the late 1980s. This was because ITTO is an UNCTAD-affiliated organisation and UNCTAD's strategic change processes were perceived as successful by ITTO Secretariat staff and member states throughout the 1990s. The ITTO's strategy and policy process in the last 10 years has not changed much, as one interviewee noted, 'because this is the way it's always been done'.<sup>1</sup> Of the strategic changes explained in this chapter, the most significant change was exhibited in the Yokohama Action Plan, which was driven largely by the new leadership of the ITTO and International Tropical Timber Council (ITTC) in 2001.

The formation processes of all ITTO strategy and policy documents discussed in this chapter were similar. Consultants and Expert Panels were used in the development of the strategy documents, and member states negotiated both documents during International Tropical Timber Council (ITTC) sessions. Decision-making on strategic change outputs was tightly controlled by ITTO member states. However, the outputs of each policy and strategy document were different.

Negative feedback behaviour in the strategic processes was an indicator of low strategic change outputs in the first ITTO strategy document. In the second strategy process, a positive feedback mechanism was established, mostly due to the arrival of new organisational and institutional leadership in 2001. In both cases, strong institutional control in ITTO governance structures was a predictor of incremental strategic change within the ITTO. However, the use of consultants, a change in executive leadership, the time-bound nature of decision-making and the financial crisis of the organization also contributed to the need for strategic change. Resultantly, the ITTO has demonstrated incremental improvements in their strategic processes and outputs.

The findings in this chapter reveal that central institutional control and the actors in the ITTC set criteria for organisational performance. The presence of external stakeholders

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<sup>1</sup> L. Flejzor, from semi-structured interview with Interviewee #27, Session A.

was extremely low in the ITTO strategic change processes during in the 1990s, which coincided with their departure from ITTC-related forum activities. Nevertheless, measures taken after 2001 to reengage with stakeholders have helped bridge the governance gap in strategy and policy-making activities. This is seen primarily through the establishment of the Trade Advisory Group (TAG) and the Civil Society Advisory Group (CSAG). These groups, however, have yet to considerably impact the content and process of strategic change in the ITTO.

If external stakeholders were not responsible for starting strategic change processes in the ITTO, how and why did the ITTO's strategy and policy<sup>2</sup> processes occur? The first section of this chapter explains the new policy and strategy guidance that constrained the strategic processes and assessments of performance in the organisation. The second section explains the formation of the two major ITTO strategies from 1995—2005, the Libreville Action Plan and the Yokohama Action Plan. These strategy processes influenced policy formation during the International Tropical Timber Agreement, 1994 renegotiation, which is the subject of the third section. Finally, reactions to the strategic changes in the ITTO and their implementation are discussed.

## **6.1 A TIME FOR CHANGE**

The ITTO has undergone time-bound strategic change over the past 10 years. However, these changes have been incremental rather than transformational in effect. This is primarily due to the increased establishment of strategic routines and lack of clear organisational performance assessments used during the formation of two ITTO strategic plans.

The two strategy documents formed during the period May 1994—May 2005 were based on the 1990 ITTO Plan of Action and the International Tropical Timber Agreement, 1994. While both documents focus the ITTO's policy and programmatic agenda, they do not contain measurable performance indicators. They also do not base significant content and process shifts in the documents on assessments of programme outcomes, as the ITTO did not use results-based budgeting or evaluation techniques until late 2003. These are the notable weaknesses of the ITTO's strategic change processes,

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<sup>2</sup> In this chapter, policy documents are the International Tropical Timber Agreements of 1983, 1994, and 2006. Member states and ITTO Secretariat staff in interviews continually referred to the legally binding Agreements as policy work. Under the Agreements, the ITTO is authorised to undertake programme and project work in support of the Agreement's objectives.

which have persisted due to routines established in organisational governance since the organisation's creation.

When the first International Tropical Timber Agreement was signed in 1983 (ITTA, 1983), it established the ITTO, an organisation designed to implement the objectives of the ITTA, 1983.<sup>3</sup> Yet, the ITTA, 1983 established objectives for the Organization on international cooperation<sup>4</sup> that were far too broad for implementation. As a result, a strategy with more concrete objectives was formulated under the Organization's Executive Director at the time. This resulted in the first ITTO Plan of Action in 1990, a strategy to focus on specific objectives and establish an implementation plan for the ITTA, 1983.

The ITTO Plan of Action (1990) identifies:

‘priority areas for programme development and project work in order to ensure optimal use of scarce resources, especially of personnel and funds....These strategies...operate as criteria by which proposals presented to the Council for funding – projects, pre-projects, or other non-non project activities – can be assessed for their relevance and potential contribution to ITTO's objectives.’<sup>5</sup>

The document notes that the ITTO's priority objective is to obtain timber from sustainably managed sources by the year 2000.<sup>6</sup>

Although ideas emerged from ITTO Secretariat staff to have a ‘realistic’ plan, and one that included ‘quantitative targets’<sup>7</sup>, the ITTO member states never accepted these ideas. The perception of ITTO staff was that ITTO member states were ‘afraid of commitment of accepting...very concrete actions in a plan...because there was no commitment authority; it was a plan that might never be implemented.’<sup>8</sup> Thus, member states looked

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<sup>3</sup> The ITTO is a small, compact Secretariat and included in its structure is the International Tropical Timber Council, the governing body of the organisation.

<sup>4</sup> UNCTAD, ‘International Tropical Timber Agreement, 1983’, UNCTAD TD/Timber.2/16, approved at Geneva, 26 January 1983.

<sup>5</sup> ITTO, ‘Forward, Criteria and Priority Areas for Programme Development and Project Work’, ITTO Action Plan, International Tropical Timber Council, Ninth Session, Yokohama, Japan, 16—23 November 1990.

<sup>6</sup> ITTO, ‘Criteria and Priority Areas for Programme Development and Project Work’, ITTO Action Plan, International Tropical Timber Council, Ninth Session, 1990, paragraph 4.

<sup>7</sup> L. Flejzor, semi-structured interview with Interviewee #24, Session A.

<sup>8</sup> L. Flejzor, semi-structured interview with Interviewee #24, Session A. Although the output of the 1990 Action Plan was not necessarily concrete, ITTC member states did help initiate the use of strategy as a practice in the ITTO. The decision to draft a strategic plan first came out of ITTC committees, since each



to formal policy documents such as the ITTA, 1983 to measure the ITTO's competence and organisational outputs.<sup>9</sup> Nevertheless, the formation of the 1990 Plan marked an important step in drafting future strategies and policies in the ITTO.

To formulate the 1990 Action Plan, a decision was first taken at the ITTC Committee level, where the Committee on Reforestation and Forest Management, the Committee on Economic Information and Market Intelligence and the Committee on Forest Industry each had drafted their own strategy documents.<sup>10</sup> Committee members and other representatives from ITTO member states met in Expert Panels to integrate the documents, and there was another Council decision to have a separate Working Group to integrate the three draft plans.<sup>11</sup> Thus, the process was initiated by a decision, which emerged from Committee work, and agreed to by members of the ITTC. It was then drafted in Expert Panels and Working Groups and eventually returned to Council for revision and approval.

An important strategic goal also emerged from this early strategy work. As a result of integrating the three plans, the Working Group included in the draft 1990 Action Plan a formal strategy 'to arrest the decline and degradation of tropical forests; bringing all productive forest estates as soon as possible under sustainable management, so that, by the year 2000, the total exports of tropical timber products should come from sustainably managed sources.'<sup>12</sup> The idea for including such a strategy in the 1990 Action Plan was first proposed in the Committee on Forest Industry, which is primarily

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committee had drafted separate strategies. These strategies were combined in ad hoc Expert Panels and Working Groups to integrate the documents. These would serve as the basis for the ITTO Action Plan's content.

<sup>9</sup> 'The agreement has a large number of objectives and these objectives have to be developed into more specific objectives related to the Committees' work and these objectives would have to be met with actions to implement them. The ITTA was the guiding document...[Nevertheless, the ITTO Action Plan] looks like supermarket list because we captured everything that was in the ITTA...To arrive at the Action Plan...everyone had to be satisfied...with every foreseeable outcome. So the first Action Plan...was not really it was not a document that really can be used to narrow to say what to do - it is too vague. It does not have a specified time frame.' L. Flejzor, semi-structured interview with Interviewee #24, Session A.

<sup>10</sup> The ITTC is the governing body of the ITTO, which consists of tropical timber producer and consumer country members. The Council is composed of three technical committees, the Committee on Reforestation and Forest Management, the Committee on Forest Industry, and the Committee on Economic Information and Market Intelligence, which are each responsible for approving committee-related programme and project work. The Council also consists of a Committee on Finance and Administration, which reviews the annual budgets and administrative measures of the ITTO. Additionally, the Council consists of an Informal Advisory Group, which 'maintains close linkages between Council meetings and provides strategic advice to Council.' ITTO, 'Expert Panel Report on ITTO Action Plan', ITTC (XXIII)/7 Rev. 1, 9 December 1997, 1997b, at 5. A number of ITTO member states suggest that most of the 'strategic thinking' is done at Council sessions.

<sup>11</sup> L. Flejzor, semi-structured interview with Interviewee #24, Session A.

<sup>12</sup> ITTO (1990), op cit., above at n. 5, at 3.

concerned with the industrial use of tropical timber, and not in the Committee on Reforestation and Forest Management, which focuses more on the sustainable management of forests at the local level.<sup>13</sup> This informal strategy, identified as a ‘priority objective’ of the Action Plan, later emerged as a key theme during the renegotiation of ITTA, 1983.

This ‘priority objective’ became an important element during the renegotiation of the ITTA, 1983. When approved in 1994, the ITTA, 1994 retained most of the original objectives of the ITTA, 1983, but added explicit references to issues related to the costs and goals of achieving sustainable tropical forest management, the creation of new financing arrangements, and a greater focus on forest conservation and values. The ITTA, 1994 retained the commodity focus of the ITTA, 1983. It also facilitated work on forest law enforcement, certification, and the establishment of protected areas in the mid- to late-1990s.

ITTA, 1994 added a specific reference to ITTO Objective 2000, which is a ‘strategy for achieving exports of tropical timber and timber products from sustainably managed sources by the year 2000’, and the establishment of the Bali Partnership Fund, ‘to develop and contribute towards mechanisms for the provision of new and additional financial resources and expertise needed to enhance the capacity of producing members to attain the objectives of the Agreement.’<sup>14</sup> ITTO Objective 2000, although more of a vision statement than an actual strategic plan, was to be implemented by each ITTO member state through country-level strategies. During the implementation of ITTO Objective 2000, some civil society participants involved with the CSAG participated in developing their country’s standards to meet ITTO Objective 2000.<sup>15</sup>

Under the ITTA, 1994, the only mandate given for ITTO’s future strategy formation was included in guidance to the International Tropical Timber Council’s Committee on

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<sup>13</sup> L. Flejzor, semi-structured interview with Interviewee #24, Session A.

<sup>14</sup> UNCTAD, ‘International Tropical Timber Agreement, 1994’, 26 January 1994, Geneva, Chapter 1: Objectives, Article 1: Objectives, paras (d) and (g). For a further discussion on ITTA, 1994 see Chapter Three and D. Humphreys, *Forest Politics: The Evolution of International Cooperation*, London, Earthscan, 1996; L. Flejzor, ‘Reforming the International Tropical Timber Agreement’, *Review of European Community and International Environmental Law*, 2005a, Vol. 12 No.1, London, Blackwell, pp. 19–28; D. Poore, *Changing Landscapes*, London, Earthscan, 2003.

<sup>15</sup> L. Flejzor, from a semi-structured interview with Interviewee #31, Session A. However, ITTO Objective 2000 was not a formal stand-alone strategy document. The substance of the ITTO Objective 2000 resulted from ideas in the 1990 ITTO Plan of Action, and was formally approved by Council members by Decision 3(X), Year 2000 Objective. From ITTO (1990), op cit., above at n. 6, para 4.

Forest Industry (CFI). The ITTA, 1994 gave a mandate to the CFI to ‘review regularly the strategies, criteria and priority areas for programme development and project work contained in the Organization’s Action Plan and recommend revisions to the Council.’<sup>16</sup> A formal process emerged from this mandate, to take into account changing organisational priorities included in ITTA, 1994. Based on a recommendation from the CFI, a Terms of Reference was prepared for consultants to create a working document containing recommendations for a new ITTO Plan of Action.

The need for this strategic change was initiated in the ITTC committees. However, formal mandates for the strategic change processes were approved in ITTC decisions. These mandates were developed for the strategies initiated in 1997 and 2000, and the renegotiation of the ITTA, 1994, which commenced in 2001. The strategy documents were prepared like all policy documents of the ITTO, and action plans became strategic documents on a step-by-step basis.<sup>17</sup>

During the initial strategic exercises in 1997, policy revisions under the ITTA, 1994 were to guide a new strategic process. Revisions to strategy documents after 1997 were performed on an as-needed basis and the renegotiations of policy began nearly 10 years after the approval of ITTA, 1994. Although the strategic orientation of the Organization did not radically change as a result of the strategic change processes, there were clear amendments made to the ITTO’s project and programme work. Despite these changes, there were few measurable outcomes of ITTA, 1994, which could be used by future strategy coordinators. Resultantly, strategy formation became a more procedural, time-bound process to take into account knowledge and institutionally accepted ideas, instead of radically changing the strategic orientation of the ITTO.

ITTO member states and Secretariat staff believed that ITTO’s strategic documents and its major objectives were not in need of radical change. In addition, there were no public statements of major dissatisfaction with the ITTO’s project and programme work coming from the country-level. Many of the limitations that were identified in national strategies to implement sustainable tropical forest management practices or other programmes associated with ITTO work on a country-level were linked to weaknesses in

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<sup>16</sup> UNCTAD (1994), *op cit.*, above at n. 14, Article 27, paragraph 3 (f).

<sup>17</sup> L. Flejzor, from a semi-structured interview with Interviewee #49, Session A.

country-level implementation (i.e. the responsibilities of national governments or executing agency of a project) rather than at the central organisational level.

At the outset of these strategic change processes, however, external consultants were appointed by Council to initially develop the strategy and policy documents. This has emerged as a formal practice in ITTO strategic change processes. Since Council's guidance is fairly explicit, there was little deviation from strategic change processes as initially set by Council. A closer formation and negotiation of the plans by ITTO member states are performed when draft strategy and policy documents are given to Council for its review. This direction, from a centralised governance structure, coupled with the short time frame for strategy development, increased inertia in the ITTO during the 1990s and early 2000s.

## **6.2 GENERATING INCREMENTAL CHANGE**

The two strategic changes that took place from May 1995 to May 2005 were the formation of the 1998 Libreville Action Plan and the 2001 Yokohama Plan of Action. These processes were similar in their initial stages: initial research on ITTO emerging issues and previous performance were developed by external consultants, then considered by Expert Panels, and eventually negotiated by ITTC.

Consultants played a key role in the ITTO policy and strategy process. They were the initial drafters of the strategy documents and the primary mechanism for outreach during the formation process.<sup>18</sup> Two external organisational consultants were hired to conduct analytical work in the beginning of each strategic change process. The consultants involved in ITTO strategy and policy formation after 1997 generated new knowledge for the Organization. They have taken stock of the Organization's past successes and weaknesses, in order to provide clear recommendations for ways forward with the Organization's policy and programme work.

After draft strategy or background documents are prepared by consultants, Expert Panels or Working Groups met to discuss and negotiate them. In general, Expert Panels were established as a 'think tank' to undertake a detailed strategic review of the ITTO's work, since 'neither the Secretariat nor the Technical Committees [had] the resources

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<sup>18</sup> For the strategic change processes, one consultant from a producer and one from a consumer country are selected.

necessary to conduct detailed strategic review[s].'<sup>19</sup> Such groups would meet occasionally, depending on the subject under discussion, to develop new directions for organizational policy.<sup>20</sup>

Expert Panels and Working Groups are normally composed of five government representatives from producer countries, five from consumer countries, two timber trade representatives, two civil society representatives, two consultants utilized from the previous strategic exercise, and members of the ITTO Secretariat. Although the composition of the Expert Panels was different for each process, the selection process for the Panels was essentially the same. In this sense, the ITTC would nominate experts to sit on the Panel. These 'experts' were mainly selected from those representatives that at some point participated in ITTC as government delegates, some of whom were foresters and others that were diplomats. Yet, a balance between timber producers and consumers was continuously sought for the composition of the Panel. The purpose of each Expert Panel was the same, which was to review the strengths and weaknesses in the implementation of the ITTO's strategic policy and programme work, based on the working documents prepared by the consultants.

This work was in turn received by the ITTC, the governing body of the ITTO.<sup>21</sup> It became clear that the more ITTC member states were involved with the ITTO strategy process, the less the amount of strategic change. Thus, the level of inertia in the change process was weakened by the work of external consultants, but increased due to institutional structures or member states associated with these structures. The discussion below explains how the role of Council and consultants has been influential in each of the strategic processes.

### ***The Libreville Action Plan***

The first strategic exercise, the Libreville Plan of Action (LAP), followed the same strategic formation process as the 1990 ITTO Action Plan. In this sense, consultants were hired to conduct key analytical work that explained how to operationalise the

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<sup>19</sup> ITTO, 'Report of the Expert Panel on Revision of the ITTO Action Plan', ITTC(XXIII)/7, 6 October 1997, Yokohama, Japan, 1997a, at 4.

<sup>20</sup> L.Flejzor, from a semi-structured interview with Interviewee #24, Session A.

<sup>21</sup> L.Flejzor, from a semi-structured interview with Interviewee #24, Session A. Since the ITTA, 1994 entered into force, Council meets twice a year, and Council decides the ITTO budget and programme of work. However, throughout the 1990s, their work was considered more 'strategic' in content. The interest of the ITTO Secretariat staff is on process.

objectives of Article 1 of the ITTA, 1994. The terms of reference, as set by a Council decision in 1996,<sup>22</sup> included that the consultants:

‘shall attend the Twenty-second Session of the ITTC in May 1997 and note the comments made by members on the priorities for revision of the Action Plan, and produce a working paper on the revision of the ITTO Action for the Expert Panel’ a month later’.<sup>23</sup>

The consultants were to base the content of the working paper on documents including: the ITTA, 1994; the 1990 Action Plan; relevant reports to Council; and general comments of the Expert Panel for Technical Appraisal of Project Proposals.<sup>24</sup>

The two consultants, one from a producer country and one from a consumer country, analysed the progress made since the agreement of the ITTO Objective 2000 and provided a critical analysis on how the goals of the ITTA, 1994 could be met. Their draft report was presented to the Expert Panel.<sup>25</sup> The consultants drew from the implicit priority activities ‘required to achieve ITTO Objective 2000’ to design the goals for the new ITTO Action Plan, what would eventually be called the Libreville Action Plan.<sup>26</sup> These goals included: improve transparency of the international timber market; improve marketing and distribution of tropical timber exports; improve the resource base; promote increased and further processing of tropical timber from sustainable sources; and improve efficiency of utilization of tropical timber from sustainable sources.<sup>27</sup> Each of the goals included associated modalities by which each of the ITTC committees were to achieve the goals. The consultants then presented this draft document for the Expert Panel for consideration.

The Expert Panel consisted of five producer and five consumer countries, two representatives from the NGO community and two from the trade and industry community, two independent consultants, and four members of the ITTO Secretariat. The representatives were selected by their member governments and approved by the Council during one of its regular session. With the exception of the consultants, all other representatives on the Panel were members of their respective member states’ delegations.

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<sup>22</sup> ITTO, ‘Decision 6(XXI)’, International Tropical Timber Council, 1996.

<sup>23</sup> ITTO (1997a), *op cit.*, above at n. 19, at 21.

<sup>24</sup> ITTO (1997a), *op cit.*, above at n. 19, at 21.

<sup>25</sup> *Ibid.*

<sup>26</sup> *Ibid.*, at 7.

<sup>27</sup> *Ibid.*, at 7.

The terms of reference for the Expert Panel, as decided by Council (Decision 6(XXI)) were to:

‘convene for a period of eight days in June 1997...[and] should base its work on the ITTA, 1994, the Working Paper provided by the consultants, the existing Action Plan,...relevant reports to the Council,..and general comments of the Expert Panel for Technical Appraisal of Project Proposals.’<sup>28</sup>

This Terms of Reference overlapped with the TOR for consultants, as explained above. The consultants and Secretariat staff who participated in the Expert Panel meetings were to ‘assist’ the Expert Panel’s proceedings.

The work of the Expert Panel made recommendations to Council based on the outcomes of their meetings. The Expert Panel agreed that it should remove a number of specific suggestions for ITTO level work that member states should undertake, as specified in the consultants’ report. The document brought greater clarity to the non-binding nature of the draft action plan’s objectives, since ‘countries exercise sovereignty over their forests, the [draft] Action Plan merely identifies areas where ITTO assistance could be sought to help the country meet the Objectives of the [ITTA, 1994].’<sup>29</sup> The actions to be undertaken by each of the Committees under Council were more general than the previous draft action plan, but continued to be separated by goals.

The outstanding areas required for Council and Committee discussion were the inclusion of phases such as ‘internationally traded, tropical, (non-coniferous) timber, and how to include references to ‘sustainably managed forest’ in the final action plan.’<sup>30</sup>

Recommendations were also sent to the Council to review how much level of detail should be included in the actions specified in the document. The revised Action Plan was sent to the Council for their review in July 1998.

The final Libreville Action Plan, agreed in July 1998, contains language similar to the revised draft document submitted by the Expert Panel. In addition to maintaining the four-year duration of the Action Plan, the LAP also explicitly notes that at its expiration,

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<sup>28</sup> Ibid, at 20.

<sup>29</sup> ITTO (1997b), op cit., above at n. 9, at 6. This elucidated the political discontent with the use of strategy, as ITTO action plan recommendations were not country-specific and directed only at centralised organisational operations.

<sup>30</sup> ITTO (1997b), op cit., above at n. 9, at 21.

ITTO members should review the scope of the ITTA, 1994 and consider its extension.<sup>31</sup> It also contains an original mission statement as drafted by the ITTO's then Executive Director.

The Council also included a section on governance of the ITTO, which recognizes ITTC as the formal governing body of the ITTO.<sup>32</sup> The Libreville Action Plan also broadens the scope of the ITTO's cross-cutting strategies, including those to 'mobilize financial resources', 'support demonstration and pilot projects' on a regional basis, and 'formulate and test guidelines, criteria and indicators' in the area of forest management emerged as a result of Council discussions.<sup>33</sup> Other changes made to the goals and actions proposed by the Expert Panel were minor, except that the proposals for the Committee on Finance and Administration were omitted. The overall plan was 'a list of intentions', since 'Council never wanted to do something that would cut its power'.<sup>34</sup> Nevertheless, the LAP helped structure the work of the Organization and ITTO Secretariat whereas the 1990 Action Plan focused on the ITTC and ITTA's overarching substantive goals. The process by which incremental change was made in the LAP is explained in Diagram 6a:

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<sup>31</sup> ITTO, 'Libreville Plan of Action, 1998—2001, ITTC(XXIV), 6 July 1998, Yokohama, Japan.

<sup>32</sup> It updates the structure of the governing body through an illustrative chart based on the ITTA, 1994 and also shows informal governing mechanisms such as the Producer and Consumer caucuses. It does not, however, show the role of other stakeholders such as trade and industry and civil society groups.

<sup>33</sup> ITTO (1998), *op cit.*, above at n. 31, at 7.

<sup>34</sup> L. Flejzor, semi-structured interview with Interviewee #49, Session A.



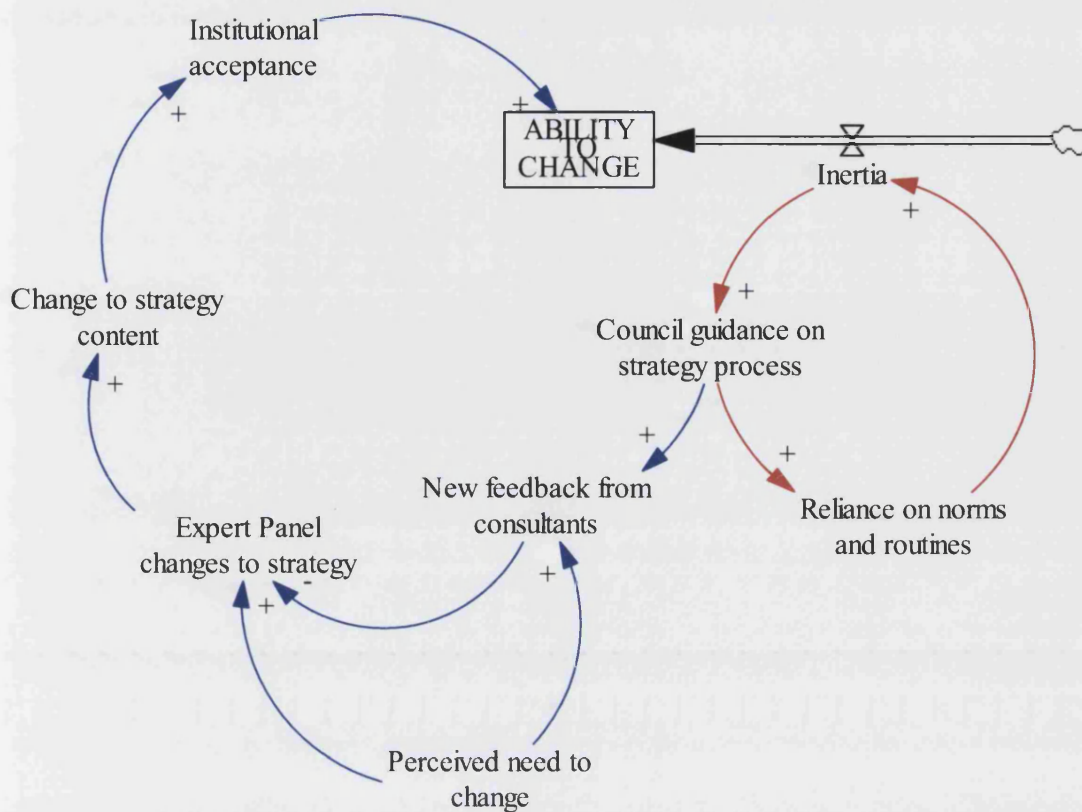


Diagram 6a: Negative Feedback in the Libreville Action Plan's Formation Process (source: the author)

With Council's strict mandate outlining the strategic process, consultants could not radically shift the content or process for the LAP. There was also a low perceived need to change by consultants and the Expert Panel, which was due to the lack of analytical studies on ITTO work and the limited feedback available on ITTA, 1994's operationalisation. Thus, few radical ideas emerged from the consultants' reports other than the need to focus the existing ideas of the 1990 ITTO Action Plan and the objectives of the ITTA, 1994 under the LAP.

Additionally, the Expert Panel members, who were closely associated with ITTC decision-making did not want to give too much weight to the implementation of the LAP. As a result, the Expert Panel tightly controlled the formation of the draft strategy. The strategic plan that emerged from the LAP process contained minimal changes in the strategic content and helped build routines in the next strategic process, the Yokohama Action Plan.

### ***Yokohama Action Plan***

In the second strategic exercise, the consultants provided more specific recommendations for revising the strategy document. The consultants were again given terms of reference as set by the Council to draft a working paper, taking into specific consideration the 1998 LAP.<sup>35</sup> The consultants' working document noted organizational changes and decisions since the approval of the LAP, including an analysis of the implementation experiences of the LAP, which were measured against the LAP's goals and actions. It provided a clear indication of the unbalanced implementation of the LAP.

The consultants identified that 'a large proportion of the actions contained in the Libreville Action Plan in the areas related to Reforestation and Forest Management and to Economic Information and Market Intelligence have been implemented, while in Forest Industry only a few actions were implemented. Even in the two areas having a better coverage, there are some gaps'.<sup>36</sup> In order to assess how projects and pre-projects were implemented, the consultants evaluated the financial resources made available for implementation such projects and pre-projects, as a way to 'quantify by goal the investment made through the organisation'.<sup>37</sup> Consultants noted that it was not possible to identify the specific actions undertaken by members, as the implemented projects sometimes achieved a number of goals.

The consultants also made a number of recommendations to Council to: widen the donor base for project support; take an approach to 'contract' out ITTO so that member states could implement a project outside of the agreed ITTO mandate; and provide better training in project formulation. It also utilised a new strategic technique, the 'Strengths, Weaknesses, Opportunities, and Threats' (SWOT) analysis, which revealed that in less than 15 years since the Organization's creation, major changes emerged in the tropical timber sector.

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<sup>35</sup> ITTO, 'Decision 11(XXIX), Annex A', ITTC(XXIX)/27, 4 November 2000, Yokohama, Japan. Even greater analytical work was undertaken by consultants hired to revise the new ITTO Action Plan in 2000. This is because consultants were able to draw on the previous strategy formation exercises of the Libreville Action Plan and the other analytical work of the Organization since 1997. In this exercise, there were also two consultants, one from a producer and one from a consumer country. Only one consultant took the lead for making revisions to the working document.

<sup>36</sup> ITTO, 'Annex F, Working Paper for the New ITTO Action Plan, ITTC (XXXI)', July 2001, paper prepared by I. Tomaselli and P. Hardcastle, 2001a, at 6.

<sup>37</sup> ITTO (2001a), *op cit.*, above at n. 36, at 8. This is similar to early assessments of the World Bank's performance, which assessed performance of the 1993 Forest Strategy based on financial returns on projects and new Bank investments in forests.

Finally, the consultants hired for the strategic exercise also sent a letter to ITTO timber consumer and producer members requesting input for the new action plan, a departure from the process used for the LAP. Although many producer members did not respond to this request, some indicated that many of the goals identified in the LAP were difficult to implement because of the cultural, social, and economic differences in producing countries. They also indicated that the ITTO might focus less on large-scale conservation efforts and develop mechanisms for the ITTO to react quickly to emergency situations. Consumer countries commented that better discussion and decision-making processes were needed, and that the new action plan should be a 'refinement' instead of a re-writing of the LAP.<sup>38</sup> The consultants prepared a new plan and also submitted it for an Expert Panel's consideration.

The terms of reference for the Expert Panel for the new action plan were broader. In this sense, ITTO member states suggested basing the document on: the working paper submitted by the consultants; outputs of previous Expert Panel reports; and consultants' papers, such as a consultant paper on 'Review of Progress Towards the Year 2000 Objective' (or ITTO Objective 2000). The Panel consisted of six producer member and six consumer member country experts, two 'conservation' NGOs, two trade and industry NGOs, and the two consultants that produced the working paper for a new draft action plan.

The Expert Panel revised the document, maintaining a similar structure to that of the previous approved action plan, the LAP. Additionally, the revised plan focused on ITTO Objective 2000, a strategy to promote trade in tropical timber from sustainably managed sources by the year 2000. The technical work of the consultants' was omitted and the SWOT analysis of the organization did not influence the final contents of the revised strategic plan. The Expert Panel forwarded the revised action plan to Council in October / November 2001, and noted the few areas where consensus was not found.

These issues included:

'concern that the formulation of [a] Forest Industry [goal]... could encompass a wide range of non-timber forest products, other than

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<sup>38</sup> Ibid, at 23.

bamboo and rattan; [the review of] subsidies in competitive products for tropical timber; and the question of unauthorized logging.’<sup>39</sup>

It also suggested that there should be a mid-term review of the new action plan, and that priorities of the Bali Partnership Fund should be revised.

In preparation for the approval of the new 2001 action plan, major leadership changed occurred in the ITTO. As one interviewee noted, ‘it’s only [the current] Executive Director... that really accepts and sees the strategic elements of more clear...task-oriented activities...but still very carefully’.<sup>40</sup> The Executive Director was also more willing to use the new Action Plan to guide the policy work of the Organization.<sup>41</sup> In addition, the annual ITTO Work Programme, a practice that was started in 1990, was used to guide financial and goal-oriented organisational work. As a consequence, more discretion was given to the Secretariat to control operational matters. As such, annual work programmes became the interim basis on which strategic decisions were made.

Possibly, this is why fewer changes were made from the time of the Expert Panel meeting, where a revised Action Plan was drafted, to the Council meeting that approved the new Action Plan, what became known as the Yokohama Action Plan. This is in contrast to the formation of the LAP, where a substantial amount of changes were made in between the time of the Expert Panel meeting and Council’s approval of the final document. This could also be due to the constant control over the Expert Panel and Council process by the same person, who also held consultations with civil society representatives.<sup>42</sup>

When the YAP was approved during an ITTO Council session, there was significant debate about the use of the term ‘unauthorised’ logging as opposed to ‘illegal’ logging, and the term was omitted from the text. Additionally, references to the ITTO as a development organization were taken out, and references to ITTC as the ITTO’s governing body were added. Greater coordination with IOs is mentioned, to strengthen

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<sup>39</sup> ITTO, ‘Report of the Expert Panel on the New ITTO Action Plan’, ITTC (XXXI)/7, 3 August 2001, Yokohama, Japan, 2001b, at 3.

<sup>40</sup> L. Flejzor, semi-structured interview with Interviewee #49, Session A.

<sup>41</sup> L. Flejzor, semi-structured interview with Interviewee #49, Session A.

<sup>42</sup> L. Flejzor, semi-structured interview with Interviewee #49, Session A. As he noted, ‘[the new Action Plan] was more or less written by me...so that was a very involved process. I prepared some background documentation, chaired the Expert Panel, and then chaired the negotiation process to get that [document] through. [The actions contained in] that document was what I thought was possible’.

cooperation with in the UN system of organization, and in particular to promote the ITTO's new work under the UN Framework Convention on Climate Change and Collaborative Partnership on Forests.

Some of the major changes from the LAP include that the goals for the YAP are sharpened, and were narrowed down to six instead of nine. Some new actions to encourage the establishment of biodiversity conservation in line with ITTO guidelines are promoted in the YAP, and references to ITTO Objective 2000 are included to take stock of the ITTO's previous strategy initiatives.

In general, the YAP emerged as a more specific document than the LAP and 1990 Action Plan, and there are several actions that are left for countries to pursue within projects. Consequently, there was an 'evolution' in developing the work plans for the Organization and each was more successful than the previous one.<sup>43</sup> The general result of these strategic processes is represented below:

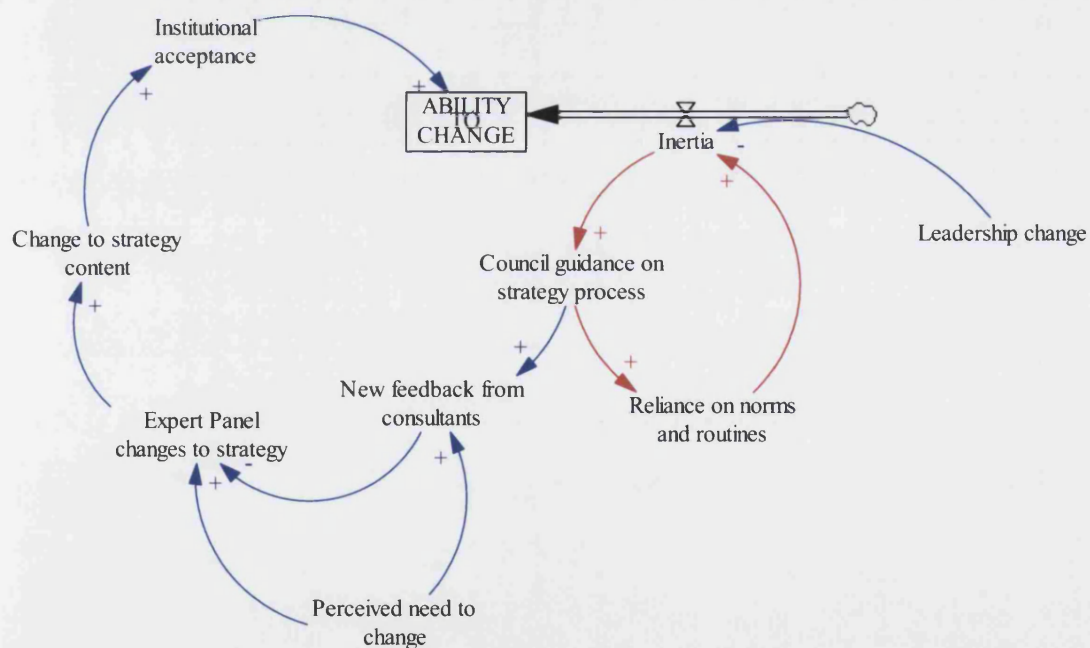


Diagram 6b: Positive Feedback in the Yokohama Action Plan's Formation Process (source: the author)

The influence of new leadership in the YAP formation process significantly decreased organisational inertia, thereby providing the necessary push to enact strategic change. However, routines established by previous strategic processes initially limited the level

<sup>43</sup> L. Flejzor, from a semi-structured interview with Interviewee #24, Session B.

of strategic change in the YAP. This was especially evident when the Expert Panel received the consultants' documents and chose not to make radical changes to the YAP from the LAP. Without the further influence of the ITTO Secretariat and ITTC Chair's leadership, the ITTC member states might have further reduced the changes to the YAP. These incremental changes in content and process during YAP formation also had an affect on recent strategic changes to policy during the ITTA, 1994 renegotiation.

### **6.3 POLICY REORIEINTATION – THE ITTA, 1994 RENEGOTIATION**

Unlike previous cases in this empirical study, ITTO policy was the primary driver of the LAP and YAP's content. Since ITTO member states and external stakeholders did not express the need to diverge radically from ITTA, 1994's policy content in the LAP and YAP, these outputs influenced ITTO policy formation approaches beginning early 2003. Processes similar to those used for ITTO strategy were used to form the new ITTA. Although the ITTA, 1994 renegotiation has yet to conclude, early negotiating documents for the new policy revealed small shifts from ITTA, 1994 in content and process.

The process by which the ITTA, 1994 was negotiated did not differ significantly from that of the ITTA, 1983. Two Preparatory Committee meetings were held to gather ideas and agree to the objectives of the new Agreement, and UNCTAD sponsored the negotiating sessions where member States eventually approved the content and structure of the new agreement. Involvement of the private sector and civil society actors at the ITTA, 1994 renegotiation was greater than during the negotiation of the ITTA, 1983. The renegotiation process of the former process is not yet complete.

The ITTA, 1994 entered into force in January 1997. The Agreement had a five-year duration, and was extended for two three-year periods. Member states to the ITTO could have decided in 2001 to extend the agreement for more than three years. However, they believed that the ITTA, 1994 needed a substantial amount of revisions in order to take into account changing themes of the tropical timber market and other emerging issues.

In preparation for the ITTA, 1994 renegotiation, consultants were identified to 'prepare an overall background paper that summarizes the experiences of implementation of the current ITTA, 1994'.<sup>44</sup> Unlike the other consultants selected for previous strategic

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<sup>44</sup> ITTO, 'A Study on Experiences of Implementation of the ITTA, 1994', ITTC(XXXV)/5, prepared by S. Caswell and S. M. Ismail. 20 August 2003, Yokohama, Japan, 2003b.

exercises, the consultants selected for this strategic exercise were both government representatives to the ITTO, and had been involved with the ITTO's work for over ten years. The consultants' background paper does not draw heavily on the LAP and YAP strategic plans and instead analyses specific articles of the ITTA, 1994 that may require change.

The ITTA, 1994 has had mixed outcomes. In the mid-1990s, ITTO projects were not effectively implemented and failed to address the broader concerns of international trade policy because of its focus on forest management.<sup>45</sup> Among other reasons, countries' ability to access and manage local forest information and limited communication among stakeholders has contributed to the ITTO's partial implementation of its strategic goals.<sup>46</sup> Additionally, the ITTO Objective 2000 was not met, and the Bali Partnership Fund remained constantly underfunded. Some producer members claim that consumer member states conceded to creating the Bali Partnership Fund in the 1994 negotiations, but never intended to fund it.

To review the consultants' documents, a Working Group was established, which was similar in structure to the Expert Panels used for the previous strategy processes. The Group was composed of six consumer members and six producer member countries, the Chairperson and Vice-Chairperson of the Preparatory Committee for Negotiating a Successor Agreement to the ITTA, 1994 process; a representative from the UNCTAD Secretariat, three observers from government delegations; and the ITTO Executive Director. The group was highly political and reflected country negotiating positions associated with the negotiations rather than the technical aspects of the discussions, as the group consisted mostly of political rather than technical ITTO actors. The Consultants that prepared the working document in support of this process did not attend the Working Group session.<sup>47</sup>

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<sup>45</sup> R. Tarasofsky, *The International Forests Regime: Legal and Policy Issues*, SADAG, 1995, at 5.

<sup>46</sup> For example, see the evaluation reports of ITTO Objective 2000 Implementation in Guyana and Trinidad and Tobago. ITTO, 'Report of the International Tropical Timber Council at its Thirty-Fourth Session', ITTC (XXXIV)/32, November 2002, at 14-18. ITTO Objective 2000, which has not been met in many countries, has remained the subject of the Organization's focus in recent International Tropical Timber Council and ITTA renegotiation sessions.

<sup>47</sup> Unlike the other Expert Panel experiences, the Working Group was held in between the submission of the consultants' reports, and a Preparatory Committee meeting composed of member States for the renegotiation of the ITTA, 1994. The Terms of Reference for the Working Group were to, *inter alia*: 'consider tropical coniferous forests resources and their distribution; assess to what extent non-timber forest products, environmental services, and other non-timber forest values are covered in the ITTA, 1994,...and advise the Co-Chairs on ..preambular language,...overarching objectives,...and definitions

Although trade and industry representatives participated in the Expert Panels and Working Groups of the policy brainstorming phase, stakeholder influence was small, ad hoc, and mostly reactionary. As one member of the Civil Society Advisory Group notes, ‘the review of documents during Council session is important because we want to try to influence the decisions’.<sup>48</sup> The desire to influence in the latter stages of policy formulation run counter to other approaches where stakeholders are involved at earlier stages of policy formulation. As a result, tighter control over the contents of the policy documents was maintained during Council sessions.

Unlike the process for ITTA, 1994, consultants’ drafted a working document for the text of the new agreement and the Working Group report analysed the role of emerging issues in the tropical timber trade. As a result, there was little overlap with the consultants’ report and the Working Group report insofar as the objectives, definitions, and preambulatory language of the successor agreement to ITTA, 1994 was concerned. Instead, new recommendations for some of the language on the operational aspects of the new agreement, such as rules and priorities governing the ITTO project cycle overlap in the consultants’ and Working Group’s report. The Working Group generated many more recommendations to specific articles in their work, in particular to the more substantive changes of the objectives and definitions sections. The Working Group also created a separate negotiating document that was used as the basis for negotiation for the successor agreement.

The agreement expires in 2006. As a result of the mixed implementation outcomes of the ITTA, 1994, member States to the Agreement are currently exploring a range of new policy choices for inclusion in the successor agreement. These reforms include expanding the agreement’s scope and revising the financial structure of the ITTO’s accounts. ITTO member states have already agreed to expand the scope of the agreement to include coniferous and non-coniferous tropical timber. However, the key sticking point remains the financial arrangement for the new Agreement.<sup>49</sup>

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[for the Successor Agreement].’ ITTO, ‘Report of the Inter-Sessional Working Group on Preparations for Negotiating A Successor Agreement to the ITTA, 1994’, ITTC (XXXV)/7, 1 October 2003, 2003c, at 3.

<sup>48</sup> L. Flejzor, semi-structured interview with Interviewee #30, Session A.

<sup>49</sup> With the ITTO’s US \$4.2 million deficit as of December 2004 (information from Secretariat proposal during ITTC(XXXVII)), the Secretariat was convinced that it would not be able to expand its scope of work if its budget did not increase. In the 1990’s and early 2000’s, producer countries had a difficult time paying their assessed contributions and the demands on the Secretariat to perform new work related to voluntarily-funded programmes and projects was on the rise. The intent during the ITTA, 1994 renegotiation was to make funding more predictable and more sustainable. As a result, some consumer



## 6.4 REACTIONS TO AND VIABILITY OF THE STRATEGIC CHANGES

When the Libreville Action Plan was agreed, some ITTO participants noted that progress had been made because it contained more ‘concrete elements’ than in the 1990 Action Plan. Yet, there were no provisions to implement this Plan and it became more of a reference document for ITTO member states. The document was used mostly to guide ITTO project work at the country level and when the Expert Panel reviewed project proposals. It was not used much to guide policy work, and rarely used to guide the Secretariat’s actions on policy and programmes.<sup>50</sup>

However, some member states claimed that the Yokohama Action Plan helped the ITTO become more strategic.<sup>51</sup> In this sense, the Yokohama Action Plan outlined focused on few specific actions to be implemented over a five-year period. A member state representative noted that the increased focus was driven by the arrival of a new Executive Director in 1998 and eventually led to the formulation of the Biennial Work Programmes.<sup>52</sup>

The development of strategies or ‘action plans’ may become a routine in the ITTO. The new draft policy document resulting from the ITTA, 1994 renegotiation requires that a strategy be developed every five years to guide the operational work of ITTO. This will affect the future work of the Secretariat and Council, including on deliberations of its projects and programmes. In the future, NGOs may have a greater chance to participate in future strategy and policy processes.

NGOs have commented that they didn’t have much participation in the strategy process. In the early 1990s, many of the major NGOs such as Worldwide Fund for Nature withdrew from participating in the ITTO meetings. This was because they believed the ITTO behaved as a ‘closed door organisation’,<sup>53</sup> where they had little influence. Most noted that due to turnover and limited ability of civil society representatives to

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members proposed establishing a new mandatory account in the ITTO’s budget that funds core policy and programme work. This new account, the Work Programme Account would incorporate some of the items that were currently voluntarily funded in an ITTO assessed account. However, due to the differences in countries’ budget cycles, the concept of the Work Programme Account was encapsulated as a sub-account within the larger Administrative Account, which now includes both administrative and key policy and programme costs. Thus, the overall costs for the Administrative Account become predictable, but increase ITTO member assessed contributions.

<sup>50</sup> L. Flejzor, from a semi-structured interview with Interviewee #13, Session C.

<sup>51</sup> L. Flejzor, from a semi-structured interview with Interviewee #13, Session C.

<sup>52</sup> L. Flejzor, from a semi-structured interview with Interviewee #13, Session C.

<sup>53</sup> L. Flejzor, from a semi-structured interview with Interviewee #56, Session A.

participate in the early formulation stages of strategy, they influenced strategy documents mostly on a reactionary basis that is when the documents were already drafted.<sup>54</sup> However, NGOs have noted their increasing ability to participate in ITTO policy formulation (e.g. ITTA, 1994 renegotiation).

Both the TAG and CSAG were able to impact the ITTO's policy work on community forests and indigenous people. Despite this success, it is often difficult to ensure CSAG participation, as limited funding is available for projects and without the funding, the CSAG cannot plan to participate in ITTO events.<sup>55</sup> If this trend continues, the ITTO would revert to past behaviours with the NGO community, when there was limited and ineffective participation from the major stakeholder groups. Yet, since some NGOs see their attendance as necessary, to help ITTO member states ensure their credibility in the organisation.<sup>56</sup> At present, TAG and CSAG representatives are receiving more financial support from the ITTO Secretariat and member states for their participation in ITTO meetings.

On the other hand, some NGOs believe that the ITTO is still disconnected from reality. This is due to its perceived lack of expertise on the variety of tropical timber issues,<sup>57</sup> and the difficult nature of encouraging participation with local communities on a variety of issues.<sup>58</sup> It is also due to the fact that the ITTO doesn't have enough staff or hired technical experts to follow up on project implementation, and this is clear in project reports on monitoring and assessment.<sup>59</sup> The overarching perception as to why enough technical staff were not hired to engage in the process is that the ITTO is donor driven, which creates an unstable funding base for ITTO project and programme work.

Statements such as these might be an indicator that new strategic approaches to include a broader range of external stakeholders.

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<sup>54</sup> Based on semi-structured interviews with Interviewees #57, #56, #33, #32, #31, #29, all Session A.

<sup>55</sup> L. Flejzor, from a semi-structured interview with Interviewee #29, Session A.

<sup>56</sup> L. Flejzor, from a semi-structured interview with Interviewee #29, Session A.

<sup>57</sup> L. Flejzor, from a semi-structured interview with Interviewee #29, Session A. This interviewee also noted that some of the projects characterized in particular issue areas such as community forestry were not really projects of this kind, and that the ITTO does not take advantage of emerging issues such as environmental services.

<sup>58</sup> L. Flejzor, from a semi-structured interview with Interviewee #33, Session A. This interviewee also noted the difficulty of engaging local communities in forest work, for instance on the issue of community forestry. However, the participant noted that some participation has been effective in forest law enforcement and governance processes in Malaysia.

<sup>59</sup> L. Flejzor, from a semi-structured interview with Interviewee #30, Session A. This interviewee noted, for instance, that a similar problem arises in partnership projects such as the Congo Basin Partnership, where a few donors constantly fund a selective group of NGOs.

Despite this feedback and the flaws of the ITTO's current strategic approaches, ITTO Secretariat staff have noted the useful strategy and policy outputs in guiding the overall work of the Organization. For instance, it is easier to clarify whether or not specific targets have been met and to decide on a collective level what should be implemented if decision-making processes are based on such documents. Within the mandate of the ITTO, the organization believes it is accomplishing its goals of promoting international cooperation, developing international dialogue on tropical forests at all levels, and creating policy on global forest work.<sup>60</sup>

Nevertheless, ITTO is facing a range of new challenges. In particular, ITTO's financial constraints are also a reason why one interviewee member noted that the ITTO has not been able to achieve its strategic goals.<sup>61</sup> The new ITTA policy document may help overcome this constraint in the near and medium-term, as more assessed rather than voluntary contributions may be obtained from member states. In addition, implementation of strategic policy and Action Plans would be linked to future budget formulation.

The biennial work programme of 2003 was the first time strategy and policy was clearly linked to budget formulation. This is an important strategic step for the organization from an operational management perspective. Many governments seemed pleased with this development, although some did not understand the significance of this management step at the time.<sup>62</sup> However, the Biennial Work Programme is not a results-based budget, and ITTO will continue to maintain assessments of policy and strategy outcomes based on member states' perceptions, unless the organisation changes its performance assessment criteria.

Member states and Secretariat staff are already anticipating the formulation of the next action plan. One member of staff anticipated that the next action plan may redefine the core programme and budget to 'reduce the ability of a few donors to direct and guide

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<sup>60</sup> As one staff member notes, 'we are very active,...filling gaps,...and making a difference.' L. Flejzor, from a semi-structured interview with Interviewee #26, Session A.

<sup>61</sup> L. Flejzor, from a semi-structured interview with Interviewee #24, Session B.

<sup>62</sup> Based on interventions of member states in the Committee on Finance and Administration and Council Plenary sessions, ITTC (XXXV), November 2003.

where the organisation is going.’<sup>63</sup> A new action plan will not only help the organization to think more strategically in the future, but it may also prevent politically driven demands from detracting from the core of ITTO’s work.

## **6.5 CONCLUSION**

This chapter explained the reasons for incremental change in the ITTO’s strategic processes during May 1994—May 2005. In this case, the organisation and those involved in the strategic processes did not have access to clear performance indicators, which decreased the perceived need for change. Although there were some early indications that financial commitments to new project work was dwindling during the formation of the Yokohama Plan of Action, they were not enough to prompt radical change to the organisation’s strategic approach or strategy content.

Additionally, during the formation of the 1990 Action Plan, norms and practices established in this exercise increased organisational inertia in later strategy and policy formation. In the LAP and YAP, inertia reinforced the institutional strength within the ITTC and decreased the amount of new ideas and changes infused in ITTO policy and strategy. Due to the overwhelming strength of political governance structures and the organisation’s low ability to change, overall strategic change was small in the LAP and only slightly greater in the YAP. It was only the presence of strong leadership that enabled greater change in the YAP than the LAP.

Since the strategies were mostly formed by ITTO member states involved with the central governance of the Organization, political rather than technical aspects of strategy content prevailed in these strategic exercises. Similarly, the political importance of policy was greater than the importance of strategy. Member states also took away the central responsibility of strategy formation from the Organization itself, making strategy more of a political rather than technical exercise.

As such, there was tighter control of strategy and policy formation and government representatives largely determined outputs. Additionally, there was no apparent need to radically change ITTO’s strategic direction, since external stakeholders and the global

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<sup>63</sup> L. Flejzor, from a semi-structured interview with Interviewee #24, Session B. However, that some funding will still be earmarked based on donors’ requests and that Council will make the final decision as to where to allocate funding.

public policy agenda revealed that tropical timber was a low political priority and dominant perceptions of ITTO member states suggested they were satisfied with the work of the Organization. Thus, the strategy formation exercises became an operational practice, used to guide staff behaviours and development of ITTO project work.

While the main constituency of the ITTO, its member states, expressed satisfaction with the overall performance of the ITTO's work, not much response had been obtained from external stakeholders. These perceptions could be a sound performance indicator, suggesting that the ITTO has an appropriate strategic fit in its internal and external environments. On the other hand, incremental shifts in policy and strategy formation could also be a symptom that the organisation is experiencing sustained low performance over a period time.

This is particularly important in the context of the next chapter. Continued incremental shifts in organisational policy and strategy may over time indicate that the organisation is too inert to undergo change, which may eventually lead to occurrences of regressive strategic change. In the ITTO, time-bound policy formation rather than strategy was the main tool used for organisational planning and goal attainment in ITTO. In the next case study, we will see how the effect of time-bound policy formation and mixed perceptions about organisational performance contributed to a regressive strategic change in a low performing public organisation.

## **CHAPTER SEVEN: REGRESSIVE CHANGE IN THE UN FORUM ON FORESTS**

The UN Forum on Forests (UNFF) is a semi-autonomous 'forum' organisation in the UN Secretariat that has undergone two periods of incremental and one period of regressive change during May 1994—May 2005. While the UNFF obtains part of its funding from the UN Regular Budget, member states to the UNFF voluntarily fund the organisation through a separate trust fund to carry out specific policy-related activities. These activities are carried out in political forums, where UNFF member governments discuss global policy issues for all types of forests. This chapter is different from those on the ITTO, World Bank and FAO, since: the UNFF's strategic direction was more constrained by organisational governance structures; problem identification and analysis during the strategic change processes were weak; and the UNFF's organisational capacity was less than the other organisations in this study.

In the UNFF, time-bound mandates for strategic decision-making resulted in incremental and subsequent regressive strategic change over a ten-year period. During the period May 1994—May 2005, the Commission for Sustainable Development (CSD) decided to 'reinvent' three organisational structures to facilitate strategies for global forest issues. Although there was an initial incremental strategic change, over time, inertia increased in the organisational system's behaviour, thus weakening the system's ability to change. This eventually led to policy failure and regressive strategic change in May 2005.

During the mid to late 1990s, a significant amount of new ideas and information about forests were gathered in the International Forum on Forests (IFF)/ Intergovernmental Panel on Forests (IPF). While these ideas increased the level of strategic choices made within the IPF, the process outcome increased organisational actors' reliance on routines in later strategy formation. Although not apparent during the initial strategy formation process, these routines would lead to no change in the second strategy formation process and eventually regressive change in the third strategic process.

These outcomes were due to the fundamental problem that organisational activities were dominated by political governance structures and routines, which increased inertia and reduced the organisation's ability to change. Policy guided strategy formation in the

organisation, constraining both the content and process of strategic change. As political governance structures would determine the strategic change processes, political rather than technical goals became the target of organisational strategies. Consensus at the political level could not be attained on forest policies and strategies, since the organisations (IPF, IFF and UNFF) were never given a mandate to implement or facilitate consensus on these issues, thus limiting the extent of strategic change. While a constraining mandate alone could be the reason for the regressive change output, the strategic change process is much more nuanced and was built on a number of other routines in the organisation (e.g. beyond mandate creation), which led to the regressive change.

The dominant use of forum activities in this organisation was similar to other UN Secretariat organisations, largely due to its proximity to UN Headquarters in New York, New York. The utilisation of this approach affected the level of external stakeholder inclusion in strategy and policy activities and resulted in external stakeholder participation as a ‘token’ gesture. Stakeholder participation took the form of Multi-stakeholder Dialogues (MSDs) similar to those used in the CSD.<sup>1</sup> UNFF decision-making was tightly constrained by institutional mechanisms that were dominated by UN member states, which took decisions in a similar way to the CSD. Thus, institutional control was a general predictor of the level and type of strategic change in the IPF, IFF and UNFF.

How and why did change occur during 1994—2006? This chapter first explains why, in the UN Department of Economic and Social Affairs, the ‘Forest Principles’ led to the need to focus global forest work due to dissatisfaction of political outcomes of member states. It then explains the strategic changes that emerged in the IFF and IPF, to identify strategic initiatives through ‘proposals for action’. The third part of this chapter analyses how strategic initiatives in the UN Forum on Forests (UNFF) resulted in regressive policy change because of high levels of inertia in the organisation. Finally, reactions to the process and its ongoing challenges are discussed.

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<sup>1</sup> The MSD, while initially seen as a progressive measure in bridging the governance gap within the CSD, has had resultant negative effects on the flow of information in the IPF, IFF and UNFF. For more information on the MSD, see M. Hemmati, *Multi-stakeholder Processes for Governance and Sustainability: Beyond Deadlock and Conflict*, London, Earthscan, 2002.

## 7.1 BUILDING ON THE ‘FOREST PRINCIPLES’

The UNCED ‘Forest Principles’ were the guiding document for global forest initiatives in the early to mid-1990s. However, they did not encourage present concise strategic goals and modalities for implementation. As discussed in Chapter Three, a number of implementation ‘modalities’ were designed in the early 1990s, notably the Criteria and Indicators (C&I) process. Even at the time of writing, however, these modalities have yet to be harmonised and fully implemented.

After the UNCED, there was not much political interest in the issue of forests. This is also because the agenda for global forest work was still unfocused, due to the range of policy preferences of low and high forest cover countries. After 1992, there seemed to be four major groups,

- ‘Those industrialised countries with high forest cover and willingness to manage forest (e.g. the US, Canada), which give lots of money for forest activities;
- Those industrialised countries dependent on forest trade, which have low / minimal forest cover (e.g. mostly European countries that support a forest convention as long as the convention does not have negative implications on their ability to receive forest products);
- Those developing countries with high forest cover, which would support some type of framework insofar as it does not infringe on their rights to trade (e.g. Indonesia, Brazil); and
- Those developing countries with low forest cover that are highly dependent on forest products, and generally do not support the framework (e.g. China, India).’<sup>2</sup>

The political distribution of these groups drove the policy process and shaped the level of interest in a binding versus a non-binding instrument in 1992. The reason for this divide, generally stated, was that many developing countries resented the developed countries for advising them on how to use their forests, when much of the developed world had already cut down their forests and used them in industrial processes. Most developed countries were suggesting that forests in developing countries should be conserved rather than harvested, and the main areas of funding from developed countries

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<sup>2</sup> L. Flejzor, from a semi-structured interview with Interviewee #5, Session A..



were for conservation activities. Additionally, many believed there was a conceptual overlap between what was being done to discuss a global forest convention and the work of the Convention on Biological Diversity.

At the global level, the primary actors in the UNFF were its member states, which were representatives of their member government's forestry or foreign ministries. Due to the diverse composition of government delegations and political divide, organisational actors found it difficult to address the range of concerns on forests. As a result, political meetings focused on how to find common ground on interests to establish a forest convention in the medium-term. As one interviewee indicated, 'all work is driven by a forest convention and other programmatic work and negotiations are just elements of what feeds into the convention'.<sup>3</sup>

From 1992—2005, there was an underlying feeling that some countries would never support a global forest convention in the long-term because they could not support binding commitments on forests. Others in the global forest policy arena suggest that some developing countries entertained the notion because they knew they could get 'soft money' for forest projects and programmes, even though they did not necessarily want to be constrained by a convention. As a result, many new programme activities were developed and implemented by UN system organisations, but convergence toward a binding forest convention remained difficult to achieve.

Soon after the formation of the UNCED Forest Principles, global forest policy negotiators believed much more work at the global level was required to clarify the goals of the 'Forest Principles' and start the implementation process.<sup>4</sup> To undertake work on the global forest policy agenda, the Intergovernmental Working Group on Forests (IWGF) and the World Commission on Forests and Sustainable Development (WCFSD) were established to facilitate dialogue at the global level specifically to continue discussions on a global forest convention.<sup>5</sup> Both of these measures represented 'confidence building measures' between developed and developing countries, and the

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<sup>3</sup> L. Flejzor, from a semi-structured interview with Interviewee #5, Session A.

<sup>4</sup> L. Flejzor, from a semi-structured interview with Interviewee #5, Session A.

<sup>5</sup> D. Humphreys, *Forest Politics: The Evolution of International Cooperation*, London, Earthscan, 1996. See Humphreys, Chapter Six, for a further discussion on the IWGF and the WCFSD.

outcomes of these processes were fed into the third session of the CSD in April 1995, which included forests as an agenda item.<sup>6</sup>

At the third CSD session, an early attempt to focus and implement the issues in the ‘Forest Principles’ emerged during the Ad Hoc Intergovernmental Panel on Forests. As one interviewee notes, ‘UNDESA wasn’t really interested in the forest issue at the time’.<sup>7</sup> Just after UNCED, the CSD members noted progress regarding awareness raising on forests issues, policy adaptation and national and integrated strategies for forests. Thus, it became important to gain political support from all countries on forests, and the leadership in DESA wanted to create a small Secretariat to address forest issues, emphasising ‘that a small Secretariat was based on process because many member states did not want to have another convention or organisation per se’.<sup>8</sup>

As a result, actors at the third CSD assembled a programme of work and ‘organizational modalities’ for a new body on forests.<sup>9</sup> Member states to the UN were supportive of the initiative and as a result, the International Panel on Forests (IPF) emerged in 1995 as a forum to implement the Forest Principles and Chapter 11 of Agenda 21. Based on CSD guidance, the IPF was to report on its progress to the CSD in 1996 and submit policy recommendations based on its conclusions, after the IPF’s fourth session in 1997. The IPF, however, would not be responsible for operational strategic planning activities or developing a results-based budget. The timing of IPF events were arranged so that progress on forests since UNCED could be made at a 1997 special session of the UN General Assembly.<sup>10</sup>

This move to establish a global forest forum within the UN system represented the need for improvement, but not necessarily transformational change in the UN’s work on forests. Due to the divergent preferences for a global forest convention in a post-Rio Summit context, little progress was made in the global forest policy area over the next

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<sup>6</sup> D. Humphreys (1996), *op cit.*, above at n. 5, at 135.

<sup>7</sup> L. Flejzor, from a semi-structured interview with Interviewee #5, Session A.

<sup>8</sup> L. Flejzor, from a semi-structured interview with Interviewee #5, Session A.

<sup>9</sup> As contained in UN, ‘Programme of Work of the Intergovernmental Panel on Forests: Proposed programme of work and organizational modalities for the open-ended ad hoc Intergovernmental Panel on Forests of the Commission on Sustainable Development’, CSD Ad hoc Intergovernmental Panel on Forests, First Meeting, Report of the Secretary General, E/CN.17/IPF/1995/2, 16 August 1995, 1995a. The CSD session originally discussed these issues at its third session, 11—28 April 1995.

<sup>10</sup> UN (1995a), *op cit.*, above at n. 9, at 7, para 4. See UNGA Res.47/190 for more information on the UNGA special session.

ten years. Clear attention was given to national level work, usually for conservation of forests, through the biodiversity programme of the Global Environment Facility. However, cohesive and comprehensive forest policy was still out of reach in the UN. Additionally, when attempts to harmonise global forest work emerged through new forums, performance became difficult to assess, as performance was mostly driven by member state perceptions. Without a clear reason for transformational change in the UN Secretariat, incremental change occurred in the initial strategy change explained below.

## **7.2 STRATEGY FORMATION IN THE INTERGOVERNMENTAL PANEL ON FORESTS AND THE INTERGOVERNMENTAL FORUM ON FORESTS**

The two strategy activities during 1995—2000 both resulted in lengthy ‘proposals for action’, or strategic initiatives to guide and implement forest work. Although they were considered ‘policy’ by the UN CSD and IPF, their structure and content were general, resembling a strategy rather than a policy. The first semi-autonomous organisation, the IPF, and then the IFF, formed such actions using organisational structures similar to CSD. Both were ‘reinvented’ only through changes to their organisational titles. In both organisations, norms and routines formed and then accumulated, which negatively impacted later policy outputs and eventually led to low performance of the organisations.

The two strategy outputs, one in the Intergovernmental Panel on Forests (IPF) and one in the Intergovernmental Forum on Forests (IFF) were formed between 1995 and 2000. The initial strategic change focused the content of the ‘Forest Principles’ and uncovered new ideas for global forest work. These changes were undertaken by the IPF. However, these outputs established routines that led to similar strategy outputs in the IFF. As a result, when another, similar organisation was formed in 2000, the low performing routines in the organisation negatively affected its policy strategies and eventually caused a regressive change.

### ***Strategy formation in the Intergovernmental Panel on Forests***

The driving idea behind the IPF was that of the UN Intergovernmental Panel on Climate Change (IPCC), a scientific body that conducts research on various facets of climate change science.<sup>11</sup> Many national governments believed a technical body on forests work

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<sup>11</sup> The IPF was established based on a decision of ECOSOC (1995/226) and endorsed by the CSD. It should be noted that while the Intergovernmental Panel on Climate Change is considered a Secretariat

was required to address outstanding issues from the UNCED negotiations. However, some national governments and the new Head of the IPF did not want the body to become like the IPCC, since its primary mandate was to produce scientific rather than policy analyses. When the IPF was formed and given a policy mandate, some negotiators working on forest issues began ‘forum shopping’ to solve technical forest issues through other technical IOs, such as the FAO and CBD.

However, the Head of the IPF had a number of working relationships with former colleagues in other UN organisations from his previous work on forests, which helped him generate necessary cooperation at the global level. The IPF Head tapped into existing knowledge within other UN system organisations.<sup>12</sup> He requested representatives to help design C&I, to measure effectiveness of the IPF’s policy implementation. Ecosystem management approaches were drafted by the IPF Secretariat but cleared by the CBD Secretariat. These collaborative outreach mechanisms helped spur cooperation among forest-related organisations. It also helped establish the Interagency Task Force on Forests (ITFF), a collaborative mechanism that supported the IPF Secretariat in implementing its work.<sup>13</sup> The leadership of IPF knew that ‘partnerships’ between the various forest-related IOs were required, since other forest IOs had to be relied upon to take the lead on certain technical issues.

But the institutionalisation of the ITFF was only possible due to the high level of trust between the IPF Head and other forest actors in forest-related organisations. After many years of building personal relationships, trust was established between key members of

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affiliated with the UN Framework Convention on Climate Change, it has its own budget and initiates its own programmatic work. Similarly, the Intergovernmental Panel on Forests was trust funded through member state contributions and led its own programme activities. As a result, the IPF is considered a semi-autonomous organisation. It was suggested that IPF should report on four broader headings: ‘progress on forest-related issues since the UNCED, at the national, regional and international levels, including the work undertaken by international organizations and multilateral institutions and an agenda for future actions; further recommendations for policy at the national and international levels; new commitments to effectively address forest-related issues, including trade and environment and international policy instruments; and approaches to strengthening international cooperation in the form of financial assistance and transfer of appropriate technologies’. UN (1995a), op cit., above at n. 9, at 2.

<sup>12</sup> The IPF also encouraged activities based on the Panel’s terms of reference designed by governments.

<sup>13</sup> The members of this inter-agency mechanism included: FAO; ITTO; CBD; DESA; UNDP; UNEP; World Bank; and CIFOR. Each organisation was meant to take the lead on forest issues, ‘on the basis of their expertise and comparative advantage’, for use during Panel sessions. UN, ‘Adoption of the Report of the Panel on its First Session, Draft report, Addendum’, CSD Ad hoc Intergovernmental Panel on Forests, First Session, E/CN.17/IPF/1995/L.2/Add.1, 14 September 1995, 1995b, at 3 para 10. Progress reports were to be prepared on the basis of the themes of the Panel, by organisations participating in the collaborative mechanism.

the UN system personnel and member states working on forest issues. As a result, frank and honest discussion took place between the key leaders within the global forest agencies, which helped facilitate sharing of personnel and analytical work on forest issues. The IPF Head would later reflect that these relationships and the way in which communication occurred were key reasons why so much critical analysis was done in the Secretariat.<sup>14</sup> Despite this increased reliance on other organisations, the IPF Secretariat leadership also knew the Secretariat had to obtain the input of member states to form policy.

Such policy guidance was based on the mandate given to the IPF from the CSD. The CSD formed a 'programme of work' to guide the IPF's consideration of five cluster areas. These cluster areas were: implementation of the UNCED decisions related to forests at the national and the international level, including an examination of sectoral and cross-sectoral issues; international cooperation in financial assistance and technology transfer; scientific research, forest assessment and development of C&I for SFM; trade and environment issues related to forest products and services; and international organisations and multilateral institutions and instruments, including appropriate legal mechanisms on forests.<sup>15</sup>

The cluster areas were meant to be discussed in a phased way – some with initial review or substantive discussions taking place during the second and third IPF sessions and the final consideration of all the issues taking place during the fourth IPF session in 1997. While the CSD did not expect there would be consensus on all the issues by the Panel's fourth session, CSD hoped that the Panel would provide guidance for the future promotion of 'international dialogue and consensus building' on those issues outstanding.<sup>16</sup> The implementation of these cluster areas, as suggested by the CSD would require achieving two objectives: 'first, ensuring an in-depth consideration of all the categories and issues included in the terms of reference of the Panel, such as building on existing knowledge and expected outcomes of various activities, initiatives and processes currently under way; and second, elaborating a basis for an integrated policy approach to forest-related issues'.<sup>17</sup>

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<sup>14</sup> L. Flejzor, semi-structured interview with Interviewee #36, Session A.

<sup>15</sup> UN (1995a), *op cit.*, above at n. 9, at 4, Background, para 2 (a-e).

<sup>16</sup> *Ibid*, at 7, Section I, para 6.

<sup>17</sup> *Ibid*, at 9, Section II, para 10.

However, one of the problems that emerged early in the IPF was the consideration of cluster areas, which were part of the mandate given by CSD and to be addressed in a ‘holistic’ manner. The call for holism resulted in a lack of focus in the IPF’s output. The IPF’s work also included ‘many politically sensitive issues’ on technology transfer, financial assistance and appropriate legal mechanisms on forests.<sup>18</sup> Despite this lack of focus, ‘proposals for action’ (PfAs) were designed based on the IPF programme of work. IPF member states drafted over 130 PfAs, which were meant to ‘complement, supplement and elaborate upon the ‘Forest Principles’ and Chapter 11 of Agenda 21.’<sup>19</sup>

The formation of the IPF PfAs resulted from various discussions with member states and other stakeholders. The PfAs reflected the structures of the ‘Forest Principles’ in that overarching themes or objectives and their related implementation actions were contained in one document, which was agreed to by consensus. Therefore, although many new ideas were initially obtained using collaborative mechanisms, the formal participation of member states and, to a limited extent, non-governmental stakeholders largely determined the final content of the PfAs associated with the IPF cluster areas.

The participation of both groups was highly structured and focused on political decision-making. The Commission recommended that UN ‘major groups’ participate as they did in CSD sessions. Such participation mechanisms included round-table discussions, side events and presentations by or with the participation of major groups and holding an informal dialogue with the major groups during official sessions. In addition, the CSD suggested that a stakeholder dialogue be continued in between official sessions. Due to the close connection of the CSD and the IPF, the role of stakeholders became more structured and offered less flexibility for changing participatory mechanisms in official IPF sessions.

The participation of stakeholders became more structured as the UN DESA organisations emerged over the years. When the IPF was first established, there was not

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<sup>18</sup> UN, ‘International Forest Policy Deliberations: The IPF/IFF Process and the Establishment of the UNFF’, Basic Briefing Package of the UN Forum on Forests, May 2002, 2002a.

<sup>19</sup> UN (1995a), op cit., above at n. 9, at 7, section I, para 6 (d).

much focus on the role of stakeholders in forming the PfAs.<sup>20</sup> However, this changed when the MSD became part of UNFF processes.

IPF member states also participated as they did in CSD sessions. This meant that decisions were taken by consensus and forum-type discussions were held regularly, usually over a one-week period. These discussions became political rather than technical in nature. A number of member states in this process also participated in the Rio negotiations, and held similar control over agendas and decision-making in the IPF.

Throughout the second and third meetings of the IPF process, there was little incentive to implement IPF policy and programmatic activity at the national level. There was no overarching binding policy commitment on forests as set by the IPF and 'Forest Principles' and the issue of sovereignty over natural forest resources continued to be an impediment to progress at the global level. Thus, a more technical approach was taken, to fill the incentive and resultant performance gap.

This is one of the reasons why a core idea for the application of national forest programmes (NFPs) emerged.<sup>21</sup> The FAO was responsible for leading NFP design and implementation. The NFPs were able to achieve key policy and programme work on forests in country, but the IPF cautioned that NFPs could provide an 'effective link between strategic and operational planning only when forest activities and services generate economic values and ensure benefit-sharing'.<sup>22</sup> Despite the promise of NFPs, other countries disagreed with their binding goals and approaches at the national level.

The push for more effective and efficient NFPs resulted from some member states' desire to increase ODA levels for forests, as ODA levels from donors were low in the

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<sup>20</sup> In cases where the 'saturation point' was achieved in terms of data collection and new information, compiling and focusing such information in studies became the target of member state work. In encouraging actions for forest work, IPF member countries were encouraged to develop frameworks and case studies with existing information. This means that new participation was not encouraged at the local or global levels – seeking new ideas from stakeholders was not the objective. The perception of member states was that enough information existed on forest quality and degradation and that it just needed to be more focused. However, in analysing other issues on forests such as the benefits, goods and services needed to fulfil the 'needs of society', the IPF reports encouraged consultations with relevant stakeholders.

<sup>21</sup> NFPs were initially used in the TFAP process. For a further discussion on TFAP, see Chapter Three.

<sup>22</sup> UN, 'Report of the Ad Hoc Intergovernmental Panel on Forests on its Third Session', CSD Ad Hoc Intergovernmental Panel on Forests, Third Session, Geneva, 9-20 September 1996, E/CN.17/IPF/1996/2, 11 December 1996, at 6 para 3.

mid to late 1990s.<sup>23</sup> At the same time, new calls for GEF funding had not been requested from IPF member states. In reports of the IPF, member countries noted that there was enough funding for forests under the biodiversity initiative of the GEF. Despite this, there was no money or mandate at the central organisational level for IPF implementation of forest activities.

By the fourth session of the IPF, the forum's agenda increased rather than decreased over the course of a two-year period, and member states recommended that a two rather than a one-week conference be held. As its final report of the fourth session noted, 'it was evident at the outset that the Panel would not be able to deal with all the complex issues before it in four sessions, lasting a total of seven working weeks'.<sup>24</sup> However, the report did note that the undertaking of country-led and international initiatives were contributions to the progress made since UNCED, in terms of international dialogue, national reports, and the better understanding of SFM.<sup>25</sup>

Clearly, even after four meetings, the IPF lacked convening power over member states' behaviour. From this perspective, the IPF could recommend actions to be taken, but little of these actions came to fruition at the national-level. Thus, there was a need for continued work to implement the PfAs and achieve political consensus at the global level. At this point, the possible need for a legally binding instrument (LBI) also resurfaced.

From an operational perspective, the Head of the IPF Secretariat utilized his relationships with his former contacts in raising funds to continue work on the IPF technical issues.<sup>26</sup> The Secretariat could raise the money and knew the key issues on

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<sup>23</sup>Trends in ODA funding continued to fall in the mid-1990s and countries realised that more money was needed from GEF resources.

<sup>24</sup> UN, 'Report of the Ad Hoc Intergovernmental Panel on its Fourth Session', CSD Ad Hoc Intergovernmental Panel on Forests, Fourth Session, E/CN.17/1997/12, New York, 11-21 February 1997, 1997a, at 5, para 5. Due to the number of complex issues, the report mentions that 'a number of governments undertook to convene special meetings and workshops on various aspects of forest management, conservation and sustainable development'.

<sup>25</sup> UN (1997a), op cit., above at n. 24, at 6 para 7(c).

<sup>26</sup> The importance of working relationships and partnerships also became of increasing value when the Head of the Secretariat had to ask for money. The IPF Secretariat was trust funded, that is, it was funded by voluntary contributions of member states and extrabudgetary contributions by countries in a position to do so. Thus, the IPF could maintain some of its independence from ECOSOC. As a result, the Secretariat noted it was not very difficult to get its work done. The only ties the IPF Secretariat had to the UN Regular Budget was a requirement to formulate a budget according to UN 5<sup>th</sup> committee guidelines and then the Head of the IPF was required to argue that budget in front of the UNGA 5<sup>th</sup> Committee (Administration



which a new organisational forum arrangement needed to focus. As a result, both the Commission for Sustainable Development and the UNGASS recommended a new organisational forum be established, which was called the Intergovernmental Forum on Forests (IFF). At the outset of the new forum's activities, it 'stressed the need for a focuses and balanced approach to its work in relation to the mandate contained in the Programme for the Further Implementation of Agenda 21'.<sup>27</sup>

As a result of this decision, incremental strategic change resulted in the transition from the IPF to IFF. This is represented below in Diagram 7a:

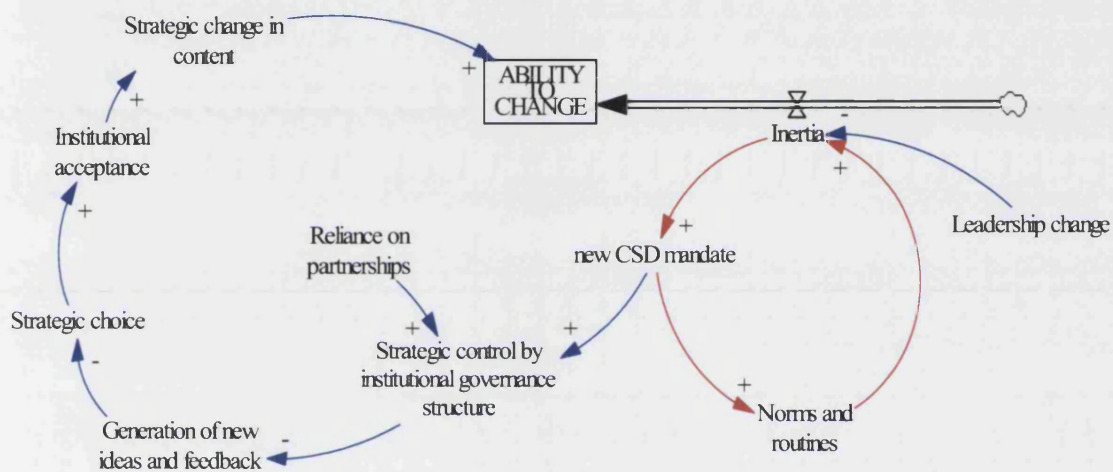


Diagram 7a: Negative Feedback in the IPF Process (source: the author)

The diagram shows how initial strategic change occurred through the formation of a new CSD mandate, new organisational leadership, and the need for feedback on forest work. Since the new structure was similar to that of a CSD, with an MSD and a semi-autonomous budget structure, reliance on UN member states at the central level was high and participation by non-member states low. Although the IPF was able to collect a range of new information from other organisations and member states, it did not have the power to implement or force member states to take action.

do so. Thus, the IPF could maintain some of its independence from ECOSOC. As a result, the Secretariat noted it was not very difficult to get its work done. The only ties the IPF Secretariat had to the UN Regular Budget was a requirement to formulate a budget according to UN 5<sup>th</sup> committee guidelines and then the Head of the IPF was required to argue that budget in front of the UNGA 5<sup>th</sup> Committee (Administration and Budget). The mechanism for funding had been recommended by the Commission for Sustainable Development. UN (1995a), op cit., above at n. 9, at 7, para 19.

<sup>27</sup> UN, 'Report of the International Forum on Forests on its First Session, New York, 1-3 October 1997', ECOSOC, E/CN.17/IFF/1997/4, 10 October 1997, 1997c, at 4, para 7. The work of the IFF was meant to be guided by the future activities in the Secretary-General's report (E/CN.17/IFF/1997/2), and as suggested by the fourth session of the IPF.

As a result of its low level of enforceability and legitimacy, incremental change resulted from the formation of the IPF PfAs and the subsequent creation of the IFF. Additionally, there was little evidence or negative perceptions held by member states that the IPF had ‘failed’ in any way. Although a range of new actions emerged from the IPF process, the lack of focused priorities and actions established poor routines for the new structure, the IFF.

### ***Strategy formation in the Intergovernmental Forum on Forests***

The IFF was given a mandate by the UN General Assembly to, *inter alia*, continue the international forest policy dialogue, including on the implementation of the IPF PfAs.<sup>28</sup> However, the IFF continued its work with the same organisational structure and similar policy approach to the IPF. As a result, the IFF Secretariat relied heavily on previous routines established by the IPF to form its outputs.

One of the key areas on which IFF was to focus was the generation of long-term political commitment for forests. The IFF was mandated by ECOSOC (though the UNGA) to report on the IFF’s outcome to the 8<sup>th</sup> Session of the CSD in 2000. Thus, the continued discussion of building political commitment for an overarching binding forest instrument remained the backdrop for the IFF’s activities.<sup>29</sup>

At the first meeting of the IFF, October 1997, the IFF programme of work, officers and venue of IFF sessions were decided. Four categories were to be the primary areas of the IFF’s programme of work. They were: promoting and facilitating the implementation of the IPF PfAs and reviewing, monitoring and reporting on progress in the management, conservation and sustainable development of all types of forests; considering matters left pending and other issues arising from the programme elements of the IPF process; and creating international arrangements and mechanisms to promote the management, conservation and sustainable development of all types of forests. These sub-categories included the need for financial resources, technology transfer and trade and

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<sup>28</sup> UN, ‘Proposed Programme of Work of the Intergovernmental Forum on Forests’, ECOSOC, Commission on Sustainable Development, IFF First Session, E/CN.17/IFF/1997/2, 22 August 1997, 1997b, paras 4—5.

<sup>29</sup> During the IFF’s first session, the idea of a voluntary forest code emerged as a possible output for a new international arrangement on forests. However, such an idea would not be reconsidered until late 2003.

environment.<sup>30</sup> These issues were to be considered in three two-week sessions and in intersessional country- and organisation-led initiatives.<sup>31</sup>

At the first IFF session, delegates noted that the continuation of the IPF process might be desirable to give adequate policy consideration to the designation of IFF programme elements.<sup>32</sup> However, the limitation of the duration of sessions and establishment of in-session working groups were identified as constraints to completing the Forum's work. As a result, the IFF Secretariat was given the flexibility to draft a number of PfAs for consideration at each IFF session, to hold two instead of one-week negotiating sessions, and to have the flexibility to consider issues more than once within the sessions.<sup>33</sup> To accomplish this agenda, the IFF decided to hold three two-week sessions in New York and Geneva.

At the time of the first IFF meeting, however, the scope of work, based largely on the CSD mandate, was too wide and ambitious for the IFF's capabilities. While due regard was given to the substantive issues and participants in the process, the procedures by which these issues were to be addressed were time-bound and constrained by CSD information reporting formats and activities. Calls for balanced, harmonised, transparent, participatory meetings and consultations were emphasised and decisions on political recommendations were to be taken by the Forum and fed back to the CSD.<sup>34</sup>

Each of the primary categories had subcategories associated with their discussion, and these elements were discussed at each of the IFF sessions. This process was very similar to the IPF process, with no clear prioritization of issues and no clear mechanism for linking discussions so that the outputs were focused by the end of the IFF fourth session. For instance, the second IFF session catalogued success stories of programme implementation based on the IPF PfAs. These programme were undertaken by the ITFF organisations or governments and the IFF noted that SFM 'was a long-term process and

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<sup>30</sup> UN (1997c), op cit., above at n. 27, categories and subcategories contained at 4—8.

<sup>31</sup> UN (1997b), op cit., above at n. 28, para 7.

<sup>32</sup> Per ECOSOC Resolution 1997/5, it was decided that the Forum should 'be serviced by a small Secretariat within the secretariat of the CSD, supported by voluntary extrabudgetary [and in-kind] contributions from governments and organisations'. UN (1997c), op cit, above at n. 27, para 16—17. It was also suggested that the IFF obtain secondments for staff from other forest-related organisations.

<sup>33</sup> Ibid. Decisions were taken at the first meeting of the IFF by a small group of member states (about 30) with only one observer present.

<sup>34</sup> UN (1997c), op cit., above at n. 27, paras 12 (a—g) and 14.

goal and countries would not, within a limited time-frame, be able to show substantial progress in capacity building, policy development, planning process and creation of enabling and supporting infrastructure. The IFF underlined the need for sustained efforts in implementing the IPF proposals'.<sup>35</sup>

Even at the second IFF session, discussion outcomes revealed the lack of consensus on the IPF PfAs that should be used to design IFF programme elements. Later IPF and all IFF reports include PfAs that are not very specific, to give countries flexibility when implementing PfAs. Much of the language on the PfAs was in bracketed text, which was finalised at the fourth session of the IFF. While there were fewer overarching categories in the IFF programme of work than the IPF, this is not an indication that consensus on clear, substantive objectives was achieved.

In reality, the IFF outputs resulted in more questions than answers. The IFF concluded with approximately 140 new PfAs, in addition to over 130 PfAs from the IPF process. Such a diverse range of goals would be difficult to implement on their own, and it was suggested that a new body be established for implementing the IPF/IFF PfAs.

As a result, the IFF member states recommended that a new international arrangement on forests (IAF) be established to help implement the IFF/IPF PfAs and continue dialogue on international forest issues. ECOSOC decided that: 'the main objective of this international arrangement on forests is to promote the management, conservation and sustainable development of all types of forests and to strengthen long-term political commitment to this end'.<sup>36</sup> This new arrangement was called the UNFF.

One of the major tasks of UNFF was to consider 'with a view to recommending....the parameters of a mandate for developing a legal framework on all types of forests'.<sup>37</sup> In addition, it was also responsible for, *inter alia*, developing financial and technology

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<sup>35</sup> UN, 'Programme Element 1a: Promoting and Facilitating the Implementation of the Proposals for Action of the Intergovernmental Panel on Forests', ECOSOC, Commission on Sustainable Development, Intergovernmental Forum on Forests Second Session, 24 August-4 September 1998, E/CN.17/IFF/1998/14, 1998, Part I, Section A, para 4.

<sup>36</sup> UN, 'Report of the Fourth Session of the Intergovernmental Forum on Forests, Establishment of the United Nations Forum on Forests', ECOSOC Resolution E/2000/35, 18 October 2000, 2000b, at 1, para 1.

<sup>37</sup> UN (2000b), *op cit.*, above at n. 36, at 2, para 3 (b).

transfer for SFM, and ‘facilitate and promote’ the over 270 IPF/IFF PfAs. At the end of a five-year period, the ‘effectiveness’ of the arrangement was to be reviewed’.<sup>38</sup>

IPF/IFF PfAs implementation were to be facilitated through a new joint body, the Collaborative Partnership on Forests (CPF). This partnership, which was modelled on the ITFF, was composed of fourteen international, non-governmental and research organisations. The organisations involved with the CPF were to utilize such synergies and partnerships to implement forest work and harmonize donor coordination. Similar to the ITFF, the CPF became a separate structure which fed information to the UNFF sessions.

As a result of the IPF process, IPF routines determined the outcome of the IFF process, formation of the PfAs, and establishment of a new forum, the UNFF. This process is represented below in Diagram 7b:

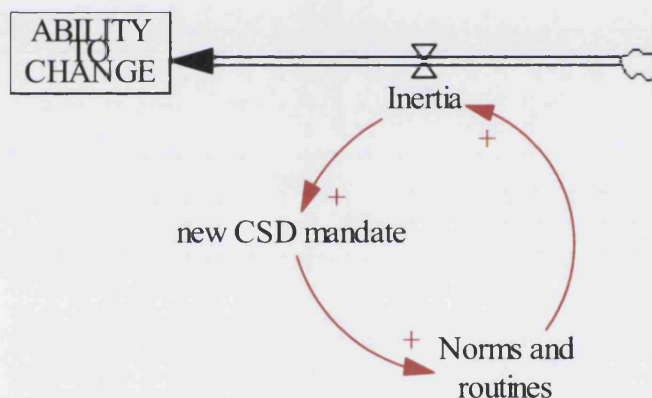


Diagram 7b: Reinforcing feedback in the IFF process (source: the author)

Without adequate measures of performance of IPF process or content, CSD and IFF participants did not see a need to change the IFF process. Thus, it was similar to that of the IPF process. However, the IPF process was flawed, since it relied upon time-bound decision-making activities, a crowded work agenda, and vague political guidance from member states. As a result, inertia levels in the IFF became twice as strong as the initial process, since norms and routines accumulated over time.

<sup>38</sup> UN, ‘Report of the Intergovernmental Forum on Forests on its Fourth Session, New York, 31 January—11 February 2000’, ECOSOC, Commission on Sustainable Development Eighth Session, 24 Apr—5 May 2000, E/CN.17/2000/14, 20 March 2000, 2000a, Appendix, Section VIII, para 12.

The IFF's existing low ability to change was significantly diminished by its reliance on routines and norms. The clear purpose of the IFF seemed to 'buy time' for further dialogue on a new IAF. The outputs of the IFF were the new PfAs, stocktaking of forest success stories and the establishment of UNFF, which were outputs nearly identical to that of the IPF. These outputs, and the lack of performance assessment during its formation process, had a negative impact on policy-making in the UNFF.

### **7.3 POLICY FORMATION IN THE UN FORUM ON FORESTS**

While the outputs of the UNFF resulted in a regressive strategic change, the UNFF Secretariat helped institutionalise itself in the UN system during the strategic change process. Informal strategic plans and the subsequent development of a results-based budget would, from the UNFF Secretariat's perspective, help the UNFF become more 'strategic' and more strongly linked to outputs of other UNDESA sub-units and organisations. However, some of the activities undertaken in the UNFF relied heavily upon policy and process routines from the IPF/IFF processes. As a result of failing to establish a clear policy and problem-solving process and relying on old policy routines, the UNFF failed to achieve its time-bound goals.

UNFF member states designed a programme of work as they did for previous IPF/IFF sessions. To guide the UNFF process, the UNFF used ECOSOC Resolution 2000/35 to form a 'plan of action'. The 'plan of action' of the UNFF is a 'holistic and comprehensive response to the call for action with the aim of advancing the implementation of the IPF/IFF PfAs in the context of SFM at various levels.<sup>39</sup> The 'plan of action' emerged as a formal multi-year programme of work, which would address new themes over the course of a five-year period. Two ministerial sessions of the UNFF, one in 2002 and in 2005, were designed to give the UNFF 'clear strategic direction and stronger political commitment'.<sup>40</sup>

These principal functions of the UNFF would be the consideration of: the means of implementation for the PfAs; progress on implementation; combating deforestation and forest degradation; forest conservation and protection of unique types of forests and

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<sup>39</sup> UN, 'United Nations Forum on Forests, Report on the Organizational and First Sessions, 12 and 16 February and 11-22 June 2001', ECOSOC Official Records, Supplement No. 22, E/CN.18/2001/3/Rev.1, 2001, at 11, Annex, para 1.

<sup>40</sup> UN (2001), *op cit.*, above at n. 39, at 8, Section C, para 16.

fragile ecosystems; rehabilitation and conservation strategies for countries with low forest cover; rehabilitation and restoration of degraded lands and the promotion of natural and planted forests; and concepts terminology and definitions.’<sup>41</sup> Despite the formation of this plan of action, the dominant institutional focus of UNFF negotiators was the new IAF. As a result, the behaviour of the ‘new’ forum is very similar to the IPF and IFF.

However, the new UNFF caused more tension than did the IPF and IFF. At the start of the UNFF, some turf-wars and resource competition impeded cooperative progress at the global level. In particular, FAO seemed particularly threatened by the growing power of the UNFF and IFF discussions. Until the mid to late 1990s, the FAO Committee on Forestry was the pre-eminent forum for policy discussions. Due to waning performance in the FAO during the mid- to late-1990s, however, attention seemed to shift to other forums, so that proactive work could be undertaken.

Senior leadership in DESA recognized this tension and worked to dissipate it through the newly created CPF. UN DESA leadership provided money for FAO staff to be seconded to UNFF, to bring in more technical expertise into the UNFF, as the FAO did not have the financial resources to second such staff to the UNFF. Additionally, DESA leadership recognized that each CPF organisation had to have a specific activities assigned; otherwise, the result would lead to ‘unhappiness’ and competition between the organisations.

Additionally, a new UNFF Head realised his broad scope of work. Although he believed in the need to listen to stakeholders, in particular, UNFF member states, he worked to focus the many initiatives undertaken by the UNFF Secretariat. This was done by

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<sup>41</sup> UN (2001), op cit., above at n. 39, at 12, para 15 (a-p). Sixteen thematic elements were formed to help implement the IPF/IFF PfAs. These were: (a) Formulation and implementation of national forest programmes; (b) Promoting public participation; (c) Combating deforestation and forest degradation; (d) Traditional forest-related knowledge; (e) Forest-related scientific knowledge; (f) Forest health and productivity; (g) Criteria and indicators of sustainable forest management; (h) Economic, social and cultural aspects of forests; (i) Forest conservation and protection of unique types of forests and fragile ecosystems; (j) Monitoring, assessment and reporting, and concepts, terminology and definitions; (k) Rehabilitation and conservation strategies for countries with low forest cover; (l) Rehabilitation and restoration of degraded lands and the promotion of natural and planted forests; (m) Maintaining forest cover to meet present and future needs; (n) Financial resources; (o) International trade and sustainable forest management; (p) International cooperation in capacity building, and access to and transfer of environmentally sound technologies to support SFM.

creating a strategic plan that was used for UNFF staff, and assisted with budgetary and programme planning for the organisation. As an interviewee indicated, the new Head: ‘wanted to create more efficiency in the organisation....and structured a work in progress, [which] had a vision and a mission statement. It also mentioned what were overarching objectives’.<sup>42</sup> The purpose of the strategic plan was not only to focus the objectives of the UNFF’s work, but also to build personal relationships between staff.

In part, the new strategic plan began in response to a suggestion from DESA staff. DESA called on the UNFF Secretariat to look at forest issues more strategically. In this sense, ‘policy need[ed] to guide the operational strategic plan’.<sup>43</sup> The strategic process was led by the new Head of the Secretariat, who called for informal, off-site workshops for Secretariat staff in the beginning of the exercise, although this practice tapered off as the strategy evolved.<sup>44</sup> To implement this process, the UNFF Head hired a consultant to assess the scope of the Secretariat’s work and the organisation itself.

The consultant leading the strategy workshops helped enhance communication among the Secretariat staff but did not have a high technical understanding of forests issues, which some staff said was a limitation of the workshops. The UNFF Head initially wanted to use Michael Porter’s ‘Balanced Scorecard’ approach to strategic management. However, after consultants, who had all been at one point affiliated with the UN, considered the balanced scorecard approach, there were only some components that could be applied to the UNFF Secretariat. There were three different retreats to try to find the right approach for the process. As a result, a loosely managed, informal process emerged from the consultant-led workshops, which allowed for flexibility in designing the strategic approach.

The new operational strategic plan was not just prompted by the presence of the new leadership. Some believed that strategy in the IPF/IFF didn’t happen before because of the forums’ Bureau members, which ‘became like commission[s] under ECOSOC’.<sup>45</sup> Thus, the IPF/IFF’s control by CSD member states and programme control under

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<sup>42</sup> L. Flejzor, semi-structured interview with Interviewee #3, Session A.

<sup>43</sup> L. Flejzor, semi-structured interview with Interviewee #3, Session A.

<sup>44</sup> The Head of the Secretariat was newly appointed by the ECOSOC Assistant Secretary General, had just managed a private company in Finland and brought a more managerial view of strategy and programmatic design.

<sup>45</sup> L. Flejzor, semi-structured interview with Interviewee #3, Session A.



ECOSOC impaired the forums' ability to be strategic. However, a more top-down managerial approach to UNFF organisational work created a space for strategic processes to emerge.<sup>46</sup>

The UNFF staff indicated that until 2002, the UNFF did not have an operational programme. The staff indicated that, prior to 2002, UNFF and IFF/IPF reports were a source of assessing progress and preparing for UNFF activities. During the formation of the operational strategic plan, UNFF Secretariat staff mainly focused on the content of the IPF/IFF sessions. Other overarching goals such as the MDGs were not integrated in the Secretariat's strategic planning exercises. Although this approach runs counter to other corporate planning practices where sub-unit goals need to be integrated and harmonised with larger corporate goals, the UNFF staff were most focused on delivering the right products to member states at the UNFF sessions.<sup>47</sup>

After initial workshops were held with an external facilitator, staff were able to take 'ownership' of the process. That is, they took turns facilitating the strategic planning workshops after 2002. As a result, staff were more involved with the process and the exercise began to promote staff development and training. The structure of these workshops began with a report of business, were taken over by two different groups of staff to present on strategic issues, and based on the presentations and discussions, the strategy was then refined. After these workshops were conducted, the staff would lead specific events at UNFF sessions on the issues they were assigned from the strategic planning exercise. In all, the exercise, which was funded by DESA, contributed to collective organisational learning.

However, these informal planning exercises were overshadowed by the 2003—2005 formation of a new IAF, a policy and organisational arrangement designed to address global forest issues. The informal and formal strategic planning exercises in the Secretariat were helping prepare for outcomes of the fifth session of the UNFF (UNFF-

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<sup>46</sup> The strategy was coordinated by a junior staff member in the UNFF. The purpose of the informal strategic planning exercise was not to have specific strategy or policy documents emerge at the end of the strategic planning meetings, but to have a clearer sense of staff responsibilities. L. Flejzor, semi-structured interview with Interviewee #3, Session A.

<sup>47</sup> Additionally, the UNFF Secretariat keeps the member states abreast of strategy in its 'Status of the Forum Paper', which helps keep participants up to date on the Secretariat's activities. Staff are also taking opportunities to incorporate larger goals such as the MDGs into their work. A major benchmark for this work will be the new IAF.

5), in May 2005. UNFF-5 was to review its work and ‘consider with a view to recommending’ a new legal instrument on forests. The strategic planning exercises in the Secretariat also emphasised the pros and cons of such an arrangement to help countries decide what to do at UNFF-5.<sup>48</sup>

It was clear to UNFF participants that some were wedded to previous ideas on global forest policy, even those that existed since 1992. As a result, a number of UNFF participants called for greater risk-taking in thinking of how to address SFM under the new IAF.<sup>49</sup> For instance, risk-taking could involve policy designs beyond the formation of a legally binding convention. The Secretariat staff believed that the new arrangement would have to be more cohesive in its work and move beyond the over 270 non-binding PfAs. The desire to implement such a new arrangement, they believed, would depend largely on the proactivity of member states and that mechanisms would have to be designed so there is pressure to join a more binding arrangement for fear of being an ‘outsider’.<sup>50</sup>

Although discussions on a new IAF began in May 2003, it was not until September 2004 that the strategic thinking started to enter into the discussions. The Ad Hoc Expert Group meeting on the Consideration with a View to Recommending the Parameters of a Mandate for Developing a Legal Arrangement on Forests (AHEGPARAM) was to suggest new structures and content for the new IAF. This was the first time experts discussed four options for a new IAF. At this meeting, some experts proposed establishing global targets and narrowing down the number of objectives in such a new arrangement.<sup>51</sup>

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<sup>48</sup> In addition to the strategic plan, a session on the new arrangement was facilitated by a World Bank legal staff member to better understand the benefits of a forest convention. The idea for this meeting was originally proposed at an early strategic planning workshop in the UNFF Secretariat. L. Flejzor, semi-structured interview with Interviewee #2, Session B

<sup>49</sup> Examples of such new ideas were suggested in J. Maini, ‘Future International Arrangement on Forests, Background Discussion Paper Prepared for the Country-Led Initiative in Support of the UNFF on the future of the IAF’, December 31, 2004; and B. Mankin, ‘The IAF at the Crossroads: Tough Choices Ahead’, WWF Forests for Life Programme, September 2004.

<sup>50</sup> For instance, one interviewee noted the model of the London guidelines on Persistent Organic Pollutants. The guidelines eventually led to Rotterdam Convention on the Prior Informed Consent (PIC) Procedure for Certain Hazardous Chemicals in International Trade (PICs). The interviewee noted that in the Miami Group, there was pressure on particular parties to join the Convention for fear of being an outsider, knowing that once the convention was implemented, it would be harder to join later. L. Flejzor, semi-structured interview with Interviewee #2, Session B.

<sup>51</sup> Maini (2004), op cit., above at n. 49.

After 2003, participation of internal and external stakeholders also increased in UNFF activities. It was not until 2004 that the Head of UNFF had the UNFF Trust Fund rules changed so that more developing country staff could participate in the UNFF discussions. Stakeholders became particularly active in UNFF discussions at this stage through the MSD, a forum for 'Major Groups' such as NGOs, indigenous representatives and women, to provide a platform for input on UNFF proceedings.

For example, in 2004 at the Ad Hoc Expert's Group meeting in New York, a MSD was formalised during a side event to discuss recommendations for an IAF. While this seemed to generate more recognition to the range of actors to which the UNFF had to be accountable, many of the major group participants were not focused, prepared or knowledgeable enough about how to take collective action during and before UNFF sessions. As a result, many in the stakeholder group approached UNFF sessions using the strategy of 'damage control', since there was neither the time, money or energy to become further engaged.

The less formal the sessions, the more stakeholder feedback seemed to be taken into account. For instance, in March 2005, a representative of the Business and Industry Major Group, indicated that the interaction between Major Groups and governments was fruitful at the country-led initiative (CLI) in Mexico. This 'expert group' meeting was established to undertake critical thinking on the future IAF.

The CLI on the new IAF in Guadalajara, Mexico, in January 2005, discussed options that would be brought forward to UNFF-5. A consultant's paper noted that 'new opportunities to advance the strategic forests agenda are emerging through, for example, stronger multilateral and IOs, regional initiatives and processes and partnerships with the private sector'.<sup>52</sup> The paper, which was the basis for discussion during the CLI focused on designing objectives, a shared vision and modalities for a new IAF. It noted that, 'despite the need for continued high-level political attention to forests, continued discussion on forests at the global level were not enough to reach strategic forest objectives'.<sup>53</sup>

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<sup>52</sup> J. Maini (2004), *op cit.*, above at n. 49, at i.

<sup>53</sup> *Ibid.*

The CLI was particularly important because attention to strategic goals and objectives took front and centre of the political agenda. Despite the efforts to utilise the CLI in the run up to UNFF-5, there was still a lack of clarity over what goals and objectives should be selected for the new IAF. The form of the IAF was also contested, with some arguing for a legally binding convention, while others argued for a non-binding voluntary forest code.

In May 2005, the UNFF-5's output resulted in a regressive change driven by ten years of flawed organisational processes and a lack of focus. Negotiators failed to successfully conclude their deliberations on an IAF, which was due to processual issues as well as divergences over policy content. During the two-week session at UNFF-5, the political divide on global forest work was still evident, the UNFF Secretariat did not provide adequate process space for negotiation; and the Major Groups were largely cut out of the decision-making process.

During UNFF-5, there was convergence around a few overarching goals for the new IAF, including to reduce the amount of deforestation by 50%. These goals were meant to be contained in non-binding or binding documents, such as a voluntary code on forests or binding convention on forests, respectively. At UNFF-5, the idea of the voluntary forest code was still new, although there was little support for a binding forest code. The fragmentation of political will for a binding or non-binding instrument, coupled with the divide on which technical issues to address in it, led to a regressive change output at UNFF-5. Additionally, negotiating time was severely diminished during UNFF-5, since the Secretariat concurrently held high-level panels on specific issues and region-specific events and provided meeting space without simultaneous translation.

Despite stakeholder participation in the various UNFF sessions, non-member state participation took a turn for the worse at the culminating event, UNFF-5. The process of UNFF-5 allowed for formal MSDs, which one Cuban negotiator believed was the obstacle that led to the failed UNFF-5 output. A number of the Major Groups were horrified upon reviewing draft text for the new IAF, since the text failed to acknowledge the initiatives of the Major Groups or their mere contribution to the IAF process over the

last ten years. According to one interviewee, ‘the house was about to fold’ on Major Group participation in the UNFF.<sup>54</sup>

Many negotiators also felt this way about their participation in the IAF process. As of March 2005, delegates were still ‘unpacking’ elements of the new IAF. As one interviewee noted, ‘people are showing up to negotiations unprepared and forests have lost over the modalities of how to do what we’re trying to do’.<sup>55</sup> Up until the UNFF-5, member states were engaged in a political ‘cat and mouse’ game, although important work continued in informal discussions at other meetings and informal communications in the two months prior to UNFF-5.

A last attempt to save UNFF-5 could have been made by the UNFF Secretariat or Bureau Chair to table compromise text earlier in the process. However, the Bureau Chair and the Secretariat seemed unaware of the failure that would ensue. With such a packed agenda during UNFF-5, it left negotiators little time to discuss the substance of the negotiating text. This massive policy failure, prompted by continuously low performance, resulted in bracketed text for a new IAF, which was forwarded to an UNGASS in September 2005 as the ‘outcome’ of the UNFF. It also caused the further delay of considering a new IAF until February 2006, when a sixth session of the UNFF will be held. The resultant feedback behaviour of the UNFF is explained below (Diagram 7c):

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<sup>54</sup> In fact, it did. As a result of the Cuban negotiator’s intervention, Major Groups did not actively participate in UNFF-6. This resulted in a collapse of the formal participatory mechanisms within the UNFF. Many Major Group stakeholders are now seeking other ways to participate at the national and regional levels.

<sup>55</sup> Remark by participant at FAO Committee on Forestry side event on the new IAF, March 2005.

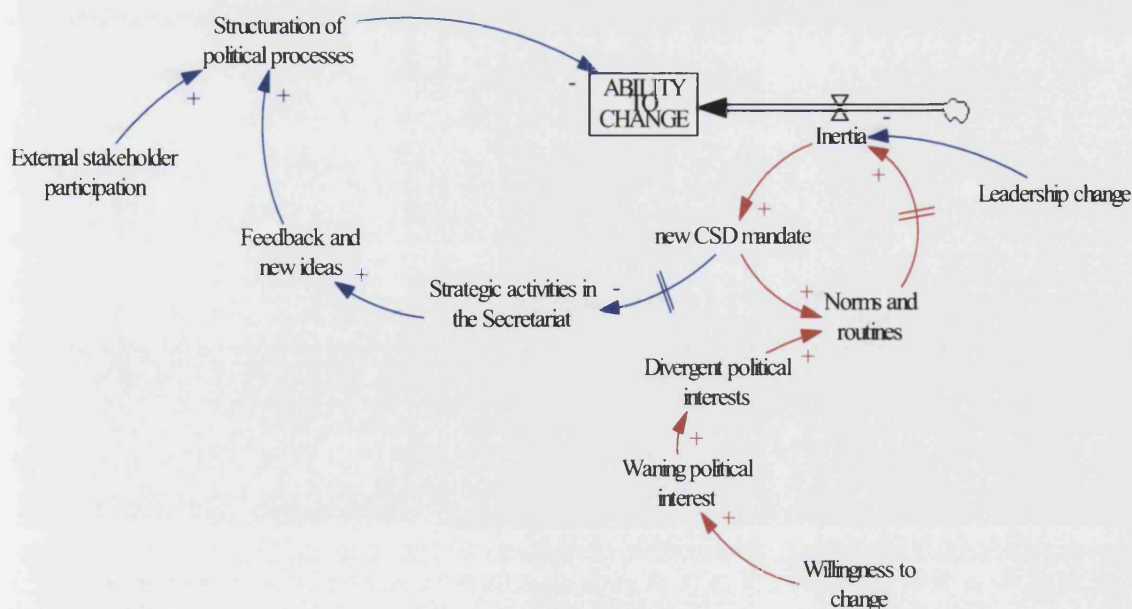


Diagram 7c: Negative Feedback in the UNFF Process (source: the author)

In the UNFF process, inertia levels are higher than in previous IFF/IPF exercises. The accumulation of inertia, through the UNFF Secretariat's reliance on routines and norms in the strategic change process was high. Inertia grew until 2003, when consideration of a new IAF was taking place. Initially, strategic planning in the Secretariat helped complement these initiatives by adding new ideas, clarifying employer responsibility and creating a clearer link for UNFF within DESA.

However, a massive failure ensued due to the process breakdown and political divergence over the form and content of the new IAF at UNFF-5. Greater structuration imposed by the UNFF Secretariat during the session provided little negotiating flexibility on a new IAF, since negotiators were expected to be at regional days or attending specific panels. Additionally, governance structures broke down on two fronts: formal governance structures such as the UNFF Bureau crumbled during key stages of the negotiation, since some Bureau members left the venue mid-way through the negotiations, and MSDs were ineffective in influencing the negotiating text and the Major Groups were a scapegoat for the process's failure. The organisation's low performance on the institutional and organisational fronts diminished the UNFF's already low ability to change, leading to a policy failure at UNFF-5.

#### 7.4 REACTIONS OF MEMBER STATES AND NGOs

In the run up to UNFF-5, member states were struggling over the difficulties of implementation and how to determine what effect it had on the ground.<sup>56</sup> In part, this was due to problems experienced during IFF/IPF PfAs and the unfocused agenda on forests over the last ten years. Thus, in the months preceding UNFF-5, member states were having a hard time gauging performance and designing both implementable goals and objectives for a new IAF. The desire from countries was to make the new arrangement focused on implementation and less on policy dialogue.

There is still hope, however, that an international instrument will be agreed to at UNFF-6, to raise political will and finance for forest programmes. Binding goals and objectives, targets set at the global and national level, and a voluntary forests code were all proposed as possible outcomes for the new IAF. As of December 2005, consensus was emerging around some form of non-binding code on forests (or at least a mandate for the code), based on outputs and further discussions during a November 2005 country-led initiative sponsored by Germany in support of the UNFF.

Thus, the contextual problem of strategic change in the UNFF exists not only in its organisational form but also the divergent political and technical agendas on forests in the IPF/IFF and UNFF processes. The UNFF was hampered by the negative routines build up by the IFF and IPF processes, when there was still a high level of technical uncertainty about forest issues. When the IPF chose to work on policy exclusively, much of the problem analysis on technical issues was avoided and left other IOs, such as the CBD and FAO. This prompted 'forum shopping', which became an increasing problem as the UNFF sessions progressed. One interviewee noted,

'everyone's running around calling small meetings country-led initiatives and this is not good...I think the FAO, ITTO, World Bank and UNFF should be housed under one roof, since [all the representatives from international organisations and their member states are] running around to everyone else's meetings - it is ridiculous'.<sup>57</sup>

However, beyond the structure of forest-related organisations, a more general question about forest work needs to be addressed. Negotiators and forest experts have yet to

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<sup>56</sup> Based on a member state intervention, March 2005 at FAO Committee on Forestry meeting.

<sup>57</sup> L. Flejzor, from an interview with Interviewee #24, Session C.

agree to overarching goals and the purpose of the new IAF. This is still not clear in the minds of many political and technical actors at the national, regional and global levels.

As for the role of stakeholders in the new IAF, new decentralised structures may emerge for their participation. There had been some desire to involve NGOs more at the local level, including in the design of a voluntary forest code. But as one international organisation member noted, the

‘NGOs don’t see the repercussions of not blowing the whistle on poor forest practices. They see forestry conferences as a nice discussion. Activity in the forest arena is unlike the regional seas programme, where there is a distinct contribution from the private sector and a need for contingency planning [at the regional level]’.<sup>58</sup>

Additionally, some member states note the problems of involving stakeholders at the local level because participation often does not benefit all stakeholders or address their needs.<sup>59</sup> Sometimes this is also due to past experiences with stakeholder groups, where the relationship between the NGOs and the Secretariat weakened the sense of trust between the two. Despite problems at the national and local levels, UNFF major groups stakeholders still believe their participation at the global level is important.

Within the organisation itself, UNFF staff noted that strategic planning has helped them think more proactively, take into account new issues and process country-level analyses on forest issues. These exercises have helped develop new panels on SIDS and Africa at UNFF sessions and buildings on ECOSOC requests, in particular to take into account the work of the CBD. The building of these new approaches has helped to integrate programme objectives within the Secretariat. Staff note that the internal strategic exercise is a dynamic process, and one which is changing over time.

The formation of the UNFF biennial budget has also helped the UNFF become an established DESA sub-programme. The application of biennial budgeting occurred in 2003, and as a result, DESA gives greater attention to the UNFF strategic framework. UN budgeting practices were also an important institutional skill developed by UNFF

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<sup>58</sup> L. Flejzor, from a semi-structured interview with Interviewee #2, Session B.

<sup>59</sup> L. Flejzor, from a semi-structured interview with Interviewee #35, Session A.



staff, who are responsible for formulating results-based budgets for submission to the UNGA 5<sup>th</sup> Committee.

However, participants in UNFF strategic planning exercise note that there is still no way to measure the organisation's performance. Instead, performance is measured by how well staff achieve the tasks they set up to do; in other words, it can only be administrative in nature.<sup>60</sup> Thus, there is little effect of the Secretariat's strategic planning activities on the substance of the forest negotiations.

## 7.5 CONCLUSIONS

The ten-year formation of strategy and policy in three different organisational structures resulted in regressive change in UNFF policy outputs. Low organisational performance, due to the increasing reliance on routines and norms in the IPF and IFF, led to a significant increase in inertia in the UNFF and decreased the organisation's ability to change. This, coupled with the formal, structured negotiating processes of key policy documents led to policy failure at UNFF-5, in May 2005.

Guided by the UNCED 'Forest Principles' and Chapter 11 of Agenda 21, the IPF was more of an information-seeking exercise. The IPF PfA outputs, however, led to an unfocused strategy document in the form of over 130 PfAs for implementation at the national level. During the time of the IPF, the desire for an overarching global forest convention re-emerged. As a result, a new name and mandate was given to the IPF, which resulted in the formation of the IFF.

The IFF, however, did not change its approach to policy and process management despite its mandate to implement the IPF PfAs and design further actions for outstanding thematic issues. The structuration of events and strategy formation using the IPF as a model enabled member states in powerful governance structures to dominate decision-making and led to the creation of further PfAs. Additionally, little attention was given to the implementing previous IPF PfAs. With the expanding programme of work on forests and some countries still pressing for a global forest convention, the CSD provided a mandate for a new organisation, which was called the UNFF.

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<sup>60</sup> A UNFF Secretariat staff member noted that 'E-Passes', mechanisms for determining employee performance, the implementation of the medium-term plan and the formulation of the biennial budget are ways to assess UNFF's performance within DESA.

The UNFF was given the responsibility of finding implementation mechanisms for the over 270 PfAs, without having a mandate to implement them. Thus, collaborative mechanisms, namely the CPF, were utilised to do so. Despite these intentions, attention shifted in 2003 to the formation of a new international arrangement on forests. Due to the increasing structuration of UNFF events and the reliance on routines, the UNFF outputs reflected low organisational performance. Events in May 2005 were telling of this low performance, which led to its failure to conclude work on a new IAF at UNFF-5.

During IPF, IFF and UNFF processes, member states were highly relied upon to drive 'strategic direction' of the processes and substance while external stakeholders such as non-governmental organisations were allowed 'token' participation during the ten-year process. This is mainly because global forum events were focused on political rather than technical outputs. Member states neither saw the need for radical change in the IFF or UNFF processes nor publicly expressed dissatisfaction with the IPF/IFF processes. Since member states in the process believed enough information on the forest issue had been obtained and there was a need to focus the agenda, attention shifted to the formation of an overarching global forest convention during the UNFF process. However, as the next chapter will argue, this perception of 'information saturation', the weak information presented on organisational performance, the poor timing of events, and the UNFF's reliance on old norms and routines led to the failure of the UNFF process.

After ten years of discussions on a global forest convention, recent discussions indicate there is still political will to forge a non-legally binding agreement on forests. Despite these attempts, the agenda and process of these discussions remains as unfocused as previous sessions of the IPF, IFF and UNFF. Without a clear direction, there is little hope for concrete, strategic goals and modalities to emerge during the next UNFF session, in February 2006. One interviewee captured this sense, saying 'the ten year formulation of the new IAF seems like a process searching for a reason. Maybe they need a strategic plan!'<sup>61</sup> If the UNFF's past behaviour is any indication of the future, indeed, they do.

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<sup>61</sup> L. Flejzor, semi-structured interview with Interviewee #21, Session A

## PART IV:

### CONCLUSIONS

The previous empirical chapters have shown that strategic change in international organisations is a complex and highly political process. From May 1994—May 2005, transformational, incremental, and regressive change resulted in a variety of forest-related IOs. The different types of change emerged from a number of factors in the strategic change process. The analysis of each strategic change process provided greater insight as to why specific types of change resulted, and how governance structures and performance assessments affected the level of strategic change.

In the last section, a comparative explanation of strategic change processes is offered. The implications of the empirical work are analysed and the theoretical foundations expanded. The first part of the conclusion compares the variations in strategic change among the four organisations in this study. The practicalities of these variations are explored and recommendations are offered for improvement in IO strategic approaches. The first part also draws attention to the need for greater clarity when making strategy and policy at the organisational level and recommends improvements in policy and planning processes at the global level. Secondly, a model of strategic change is presented and its future applications explored.

While this study explores only one issue area using management and political science methodologies, it is timely nonetheless. The analysis of international organisations using management and political science techniques shows great promise for analysing other

cases of strategic change in international organisations. This thesis suggests that strategic change and broader organisational change may need to be analysed and researched using different approaches than those already applied in the political science literature.

Researchers considering the applications of positive and negative feedback in future studies of strategic change have a range of methodological tools to consider, which move beyond current analyses of institutional decision-making and political events.

## **CHAPTER EIGHT: COMPARING STRATEGIC CHANGE OUTPUTS**

This study has shown how strategic change in forest-related IOs has varied over a ten year period. An evaluation of strategic change outcomes (i.e. the evaluation of strategic change outputs) was too soon to be undertaken. The primary question of this research was to investigate how and why variations in IO strategic change occurred. As the four empirical case studies have shown, policy and strategy were utilised at different times and for different purposes to generate different types of strategic change. The choice and timing of each strategic process resulted in a variety of outputs that were particular to the context of global forest issues and organisational behaviour. While this study focused more on the process rather than the content of strategic change in IOs, the processes in this study also had an impact on the level of change to the content of a given strategy or policy.

The second aspect of this study investigated what affected each type of strategic change. Primary determinants of change were perceptions or measurements of organisational or departmental performance and the level of organisational inertia. The purpose of the strategic process was driven by the intent of the process, which was decided by key leaders or powerful IO member states. After each process was initiated, the organisation's initial ability to change was determined by the structure of the organisation, the mandate for the strategic process given by an organisational institution, leadership changes, cumulative levels of inertia and research capacity of the organisation. Inevitably, this influenced the strategic change processes utilized by the various organisations examined in this study.

This chapter compares the approaches of the four organisations studied in this thesis and analyses the influence of performance and inertia on each strategic process. It discusses the implications of IO strategic change and future applications of the strategic processes. It focuses only on the theme of forests and forest-related IOs, as this was the context for this study. However, the outcome of this study has implications for other environmental and social issues. At the end of the chapter, it should be clear that both the organisational

and issue area context of each strategic change process has a major impact on its outcome.

This chapter has three parts. First, it will critically examine the quantitative and qualitative ‘indicators’ that determined performance and prompted strategic change in the four case studies. It will then discuss how governance structures contributed to or inhibited strategic change in the organisations. Finally, it will present an analysis of the varying types of change in the four IOs and the benefits and drawbacks of using policy and strategy at the global level. This chapter provides conclusions on the empirical work and the information necessary to create a general model of IO strategic change, which is presented in the final chapter of this work.

### **8.1 ASSESSING APPROPRIATE STRATEGIC FIT**

To an extent, strategic change in the IOs began due to changes in organisational performance, which includes how performance is perceived by organisational actors. Based on Sastry’s (1997) model, appropriateness of strategic fit and the resultant desire to change is based on assessments of the organisation’s or department’s performance in its environment. In the forest arena, however, IOs had few, concrete assessments of performance and the need for change was based largely on *perceived* assessments of appropriate performance.

In all of the organisations, there exist few clear or formal indicators of performance. Yet, pressure to radically change IOs was minimal until clear evidence of poor performance was provided. Where performance evaluations and criteria were well established in organisations, they were mostly quantitative and financial in nature. Qualitative performance criteria have yet to be harmonised within forest-related IOs. At present, qualitative indicators of organisational performance consist of stakeholder (mainly powerful member states’) perceptions of an organisation’s performance. However, these are not usually collective perceptions, nor are they often sound indicators of organisational performance.

Part of this problem arises from the determination of ‘appropriate’ performance indicators to evaluate the policy or strategy in question. The role of the dominant coalition in organisational governance structures is a key factor in assessing performance.

In most cases of strategic change in this thesis, the dominant coalition in organisational governance structures determined the organisation's appropriate performance.

However, if significant threats existed in the organisation's external environment (e.g. at the project level), non-governmental stakeholders contributed to performance assessments. As we have seen, when decision-making or policy and strategy is tightly controlled by powerful member states, little external stakeholder participation is included in the resultant strategic change process. Such an approach widens or maintains the existing governance gap in an IO as it undergoes strategic change.

Additionally, there is a high variability in the time needed to determine appropriate performance. Decisions as to when an IO should undergo strategic change may be unclear or out of the control of decision-makers in IOs. For instance, one of the overarching goals of each forest organisation in this thesis is helping to achieve SFM at the national and local levels. A number of actors in forest-related IOs recognized that SFM is a 'long-term' process, and it was clear that cohesive, harmonised performance indicators in the UNFF could not be pinpointed during the period May 1994— May 2005. This has contributed to the problem of assessing strategy and policy performance and the difficulty of creating substantive goals for forest work over relatively short periods of time. Moreover, as shown in this thesis, the process by which policies and strategies are both formed and assessed have led to some IOs' inability to determine how to approach future strategic change processes.

As seen below, only one organisation in this study clearly used performance indicators as a rationale for initiating strategic change within a ten year period. This was the World Bank. The beginning of the World Bank's strategic change process was triggered by decreasing levels of investment in the forest sector and returns on loans. The Bank and its members institutionally accepted these financial performance indicators, as it was part of Bank norms and routines.

Other contributions to performance, such as member state and non-governmental stakeholder dissatisfaction with the Bank's 1993 Forest Policy also triggered a change, although this was based on perceptions rather than measurable performance outcomes. In the other organisations studied in this thesis, perceptions of performance (as qualitative indicators of performance) had a greater impact on the resultant level of

strategic change. As seen in Table 8.1 below, perceptions of performance in forest-related IOs were heavily relied upon to determine organisational performance:

	<b>QUANTITATIVE INDICATOR</b>	<b>QUALITATIVE INDICATOR</b>
World Bank	<ol style="list-style-type: none"> <li>1. Return on investments from structural adjustment lending</li> <li>2. Number of new and existing forest and economic and sector projects per country</li> <li>3. Increase or decrease in GEF lending</li> </ol>	<ol style="list-style-type: none"> <li>1. Feedback on in-country project performance</li> <li>2. OED performance evaluations</li> <li>3. Public criticisms/negative press</li> </ol>
International Tropical Timber Organization	<ol style="list-style-type: none"> <li>1. Amount of new projects in ITTO-related themes (partially implemented)</li> <li>2. Biennial budgeting (post-2003)</li> </ol>	<ol style="list-style-type: none"> <li>1. 'Effectiveness' of SFM implementation based on member state feedback (including C&amp;I)</li> <li>2. Consultant reports on ITTA implementation and project work</li> </ol>
Food and Agriculture Organization	<ol style="list-style-type: none"> <li>1. Amount of funds raised for new projects and programmes</li> <li>2. Medium Term Plan tied to biennial 'results-based' budget, strategic framework, and implementation report (post 2000, at corporate level)</li> </ol>	<ol style="list-style-type: none"> <li>1. Feedback on programme implementation and information products (usually though FAO Committee on Forestry attendees)</li> </ol>
UN Forum on Forests (and IPF/IFF previously)	<ol style="list-style-type: none"> <li>1. Biennial budgeting (post-2003)</li> </ol>	<ol style="list-style-type: none"> <li>1. Ability to fulfil mandate</li> <li>2. Feedback on process outcomes from member states</li> </ol>

Table 8.1: Performance indicators in the World Bank, ITTO, FAO and UNFF (source: the author)

As shown from the chart above, the primary qualitative performance indicator is member state satisfaction with an organisational programme or policy. The primary quantitative indicator is financial return on investments or ability to raise funds for an organisation. There are no common qualitative or quantitative performance indicators across the forest-related organisations. Without well-established, or concrete performance indicators, forest-related organisations run the risk of not being able to identify poor organisational performance in the long-run. They may also be more prone to relying on old routines and continued poor performance if the reasons for waning performance is not fully apparent to all organisational stakeholders. The use and limitations of the current indicators is discussed below.

### ***The Bank's Revised Forest Strategy and Operational Policy***

Current criticisms of the Bank's financial performance indicators include that performance assessments based on investment returns are inadequate and do not take into consideration the environmental and social effects of Bank projects. The Bank's



assessments of performance reflect that of private sector organisations, which can adapt to their environment based on quantitative performance outcomes. However, the Bank's over-reliance on post-structural adjustment lending and project cost-benefit analysis provides indications that quantitative performance indicators are underdeveloped and misleading indicators of overall performance.<sup>1</sup> They rely on old routines and reflect a narrow focus on the Bank's economic activities. The current backlash from NGOs about the Bank's existing performance indicators calls for broader qualitative and quantitative organisational performance indicators, especially in the forest sector.

In the near term, there is little hope that these indicators will significantly improve. A critical problem relating to performance criteria for the 2002 Revised Forest Strategy and Operational Policy is that evaluation and implementation is ad hoc and designed on a country basis. While this offers greater flexibility to country-level offices in designing certification schemes and C&I, it will make assessments of performance increasingly difficult at the central organisational level.

If this type of flexibility is allowed, long time lags in information collection will result and organisational transaction costs are likely to increase. More appropriate and harmonised quantitative and qualitative indicators will need to be designed to assess performance at the country level and avoid significant delays in information exchange. However, this will take time to improve, due to the enormity of the task as well as the complexity of the forest issue area.

The Bank realises that forests are a problematic issue area, with high complexity and transaction costs. In order to deal with them, the Bank suggests that it needs to seek 'greater efficiencies, selectivity, and reduction of the average costs of forest lending operations'.<sup>2</sup> It also notes the benefit of centrally locating its budget for implementation

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<sup>1</sup> This is because the lending portfolio and demand for new projects alone are still the predominant indicators of performance in the World Bank. Additionally, the selection of endogenous variables to account for environmental performance during cost-benefit analyses (CBA) of Bank projects are often ad hoc and subjective. The selection of such criteria are often determined only by the project manager conducting the CBA. During the implementation of the Bank's Revised Forest Strategy and Policy, the Bank notes that the selection of certification schemes and criteria to assess forest sustainability will be determined at the national level. As such, they are not pre-selected or approved at the global, national or organisational levels. Quantitative, financial indicators as selected by the organisation are the primary means of assessing Bank environmental projects. As such, they may be misleading performance indicators of overall project performance.

<sup>2</sup> World Bank, 'Sustaining Forests: A World Bank Strategy,' Washington, D.C., October 2002, 2003a, available at <[www.worldbank.org/forests](http://www.worldbank.org/forests)>, at 38.

at the country-level. This may help avoid past mistakes in implementing Bank forest projects.<sup>3</sup>

The benefits of consultative planning will largely be determined by implementation outcomes of the 2002 Revised Forest Strategy and Operational Policy. Such outcomes will impact the way the Bank and other multilateral organisations conduct consultative strategy processes in the future. Until the benefits of the consultative strategy are known in 2001, the Bank's current forest strategy and policy may be perceived as an appropriate strategic fit in its organisational environment. If feedback on the Revised Forest Strategy and Operational Policy is negative, the 'innovative' approaches to strategy in the Bank will have a limited effect on the way it does business, much like the Bank's desire to introduce environmental initiatives in the late 1980s and early 1990s.<sup>4</sup>

In the near term, the Bank will likely rely on reactions from stakeholders and quantitative performance indicators to enact future strategic changes. This is because the Bank's sector work is increasingly complex and information takes a long time to feedback to the central organisational level. As a result, it is likely that the Bank will continue to undergo periods of punctuated change in its operational work.

Large shifts will only occur where the accumulation of evidence of poor performance is present. However, if quantitative and qualitative performance indicators become more developed, possibly through benchmarking activities or decentralised strategic planning activities, the Bank will be able to respond to poor performance indicators more rapidly (and possibly more effectively). The result would cause the Bank to undergo continuous strategic change in the future and minimize transaction costs in its sector work.<sup>5</sup>

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<sup>3</sup> However, innovation in the Polonoreste programme led to severe consequences during its implementation. From R. Wade, 'Greening the Bank: The Struggle over the Environment, 1970—1995', in D. Kapur, J. P. Lewis and R. Webb, *The World Bank: Its First Half Century*, Washington, D. C., Brookings Institution, 1997, pp. 611—734, at 637—639.

<sup>4</sup> Robert Wade explains the Bank's tactical approaches to mainstreaming environmental concerns in the Bank in Wade (1997), op cit., above at n. 3. In this article, he suggests that environmental procedures became a routine part of the Bank's work, for instance through the use of Environmental Assessments and establishment of the Bank's Inspection Panel.

<sup>5</sup> It should be noted that increased outreach to civil society in Bank sector work will, initially, not minimize but instead increase transaction costs. However, as with most environmental projects, the benefits and increasing financial returns on performance and sector investment would be observed in the medium to long term.

## *FAO Forestry Strategy*

Similar to the Bank, FAO performance was waning in the mid-1990s. This was due to poor reports on TFAP outcomes and low interest in FAO work.<sup>6</sup> The effect of this waning performance also influenced the institutionalisation of IFF and UNFF processes in the late 1990s, since political actors perceived these processes as more effective than FAO. As a result, new FAO leadership focused on the issue of partnerships with other IOs in its strategic work, to improve FAO's credibility with actors in the forest issue arena and facilitate a collaborative effort among forest IOs.

At present, the FAO has become more of a leader on technical issues and is engaging in issues that are of importance at the country-level. These things are done 'in response to a perceived need' of member countries and local communities.<sup>7</sup> Even if certain issue areas are analysed on a regional basis, the FAO can assemble information at the global level for a more comprehensive assessment of an issue or problem.<sup>8</sup> Thus, the organisation is taking greater initiative and becoming more autonomous in the absence of clear performance indicators. Increasingly, however, corporate level performance assessments are guiding department-level work, which may ultimately constrain the Forestry Department's ability to respond to new problems or opportunities in the external organisational environment using strategic change.

To help track performance of FAO programmes, a corporate Office of Programme, Budget and Evaluation (PBE) was established to help monitor implementation of results. This new office may, in the long-term, help the FAO respond to problems more rapidly and in a coordinated manner. Although the PBE office at FAO HQ is responsible for field-level evaluation, FAO programme managers are expected to carry out pre- and post-evaluation of programme implementation at the field level.<sup>9</sup> Improvements in the collection of data at the local level will facilitate the analysis and assessment of performance at the central headquarters level.

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<sup>6</sup> To illustrate how such performance of FAO programmes could be assessed, Brechin (1997) explained the moderate success level of FAO's community forest programme from 1985 until 1994. See S. Brechin, *Planting Trees in the Developing World*, London, The Johns Hopkins University Press, 1997.

<sup>7</sup> L. Flejzor, from a semi-structured interview with Interviewee #19, Session A.

<sup>8</sup> One example of this is the FAO's work on forest fires. After assessing the relative importance of forest fires at the regional level, the FAO now has full-time staff dedicated to this type of work and the issue area has become an increasing priority in organisational work. The FAO's work on forest fires has generated significant levels of demand for new work from member states.

<sup>9</sup> To assist managers with the formulation of projects and assessments, a web-based tool is being used, the 'Departmental Programme Management Tool Kit'. Such an approach is experimental, but if effective, may be applied to other IOs in the future.

Additionally, the performance of the organization is clearly linked to programme planning at both the departmental and corporate levels. The FAO now has formal corporate planning techniques that involve the construction of an MTP, a biennial budgeting and an Implementation Plan, all of which are linked. In principle, performance, though the outcome of 'results', guide future budget and programme planning. As at 2002, the organisation had still not achieved a full 'results-based' planning system,<sup>10</sup> although it was moving toward the implementation of basing programme objectives on the results of programmes in the field.

With the emergence of corporate planning techniques, however, there seems little need for another forest strategy at the departmental level. This is due in part to current perceptions of COFO members who believe that FAO's credibility is increasing and the predominance of corporate planning techniques. If the Forestry Department chooses to redraft the current strategy, then it will likely result in incremental changes, to take into account outcomes of the new IAF and ITTA. If the Forestry Department faces external threats to its performance in the future, then it may need to adjust its strategy more radically. However, the strategy will likely be constrained by corporate planning practices, if past strategy processes are an indication of future strategic outputs.

Yet, the FAO's current planning approach offers the Forestry Department some flexibility to respond to threats in its external environment. If FAO performance indicators become more structured at the departmental level, inertia would likely grow in COFO and the FAO Forestry Department. If the FAO is to establish any future performance criteria, this should be focused on regional level, where responses to and generation of feedback are essential to reporting on forest-programme results.

### ***ITTO Strategies and Policies***

At present, the political actors associated with ITTO believe that, although its overall work can be improved, it is performing well. Thus, over the last ten years, many powerful ITTO member states believed that the ITTO was not in need of radical change.

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<sup>10</sup> Results-based budgeting is a technique developed in the 1990s under New Public Management, and has been adopted by a number of UN agencies, including the FAO. For a discussion of the development and application of RBB in the UN system, see T. Mizutani, 'Results-based Management and the United Nations System', paper presented at EGPA 2004 Annual Conference, 'Four Months After: Administering the New Europe', 1—4 September 2004, Ljubljana, Slovenia.

As a result, incremental outputs resulted from ITTO's change processes. As long as ITTO member states' perceptions and limited analytical work continue to drive performance assessments of the Organization, qualitative assessments of performance will guide future strategic changes.

Future development of quantitative performance indicators may improve organisational performance assessments. While consultants affiliated with the ITTO's early strategy processes attempted to measure the level of project investment in the various areas of the ITTO's work, they were unable to collect adequate information to do so. Other types of quantitative indicators are needed to assess project outcomes and programme implementation. Non-governmental stakeholders' increased involvement in project formulation and implementation at the national and local levels may help in the development of appropriate quantitative performance indicators.

Insofar as the development of other, qualitative indicators, C&I and other SFM implementation techniques could help future assessments of ITTO performance. C&I development has been one of the many ITTO success stories. These on-the-ground performance criteria have been developed in a participative manner, and separately from the strategic and policy process within the organisation. Experts, who are not affiliated with government delegations, have helped develop C&I at the country level.<sup>11</sup> On the ground results will be important to determining ITTO's implementation effectiveness and new strategic objectives.

ITTO member states made major efforts in 2002 and 2003 to help ITTO think 'more strategically' as an organisation in its application of biennial budgeting practices and improvements in its project cycle.<sup>12</sup> ITTA, 1994 was not linked to budgetary formulations until 2003, when the first biennial work programme was designed. New ITTA text, which is currently under negotiation, mandates the organisation to prepare strategy documents every five years and biennial work programmes to guide programme formulation. Improvements in the project cycle have also been made by prioritizing country project selection and minimising the amount of new work undertaken by ITTO. This meets the desired calls from member states to tie ITTO project work to broader

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<sup>11</sup> L. Flejzor, from semi-structured interviews with Interviewees #31 and #56. Session A.

<sup>12</sup> L. Flejzor, from a semi-structured interview with Interviewee #24, Session A.

programme and policy formulation, which is meant to guide and harmonize the overall work of the organisation and make it less of an ad hoc project body.<sup>13</sup>

From a centralized perspective, however, the ITTO has been asked to do ‘more with less’ financial and human resources.<sup>14</sup> This is common of many IOs, in particular those in the UN system. However, greater funding or time dedicated to monitoring and evaluation activities in the ITTO are essential if the organisation is to be sustainable and deemed ‘effective’ in the long-term.

### *The International Arrangement on Forests and Pfa implementation*

This raises the question of whether an organisation can stay ‘alive’ in the absence of any concrete performance indicators.<sup>15</sup> The lack of clear performance indicators may work to the benefit of IOs that have low or regressive strategic outputs, as it may increase their survival possibility in the international arena even though they may perform poorly. This is illustrated in the case of the UNFF. The mandate of the UNFF was to, *inter alia*, recommend the parameters for a future international arrangement on forests.

Additionally, UNFF was mandated to design ways to implement the many IFF/IPF PfAs. It failed to do so during its first five years.

Yet, member states associated with the UNFF continue to press on with the task of meeting these two objectives.<sup>16</sup> It remains to be seen whether UNFF-6 will be deemed a

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<sup>13</sup> L. Flejzor, from an informal conversation with Interviewee #58, Session A.

<sup>14</sup> For instance, the ITTO assessed budget for 2006 is US\$5.2 million, about 40% of which is spent on operational or administrative functions of the Secretariat. Although the ITTO’s workload has been increasing steadily since the mid-1980s, Secretariat staff levels have remained fairly constant, with 17 of the 35 staff working on substantive project and programme activities. From ITTO Secretariat presentations during ITTC-39, November 2005.

<sup>15</sup> Perrow suggests that organizations, as complex social systems ‘avoid the life cycle of natural systems’, as evidenced through public school systems and public organisations that have existed for many decades. He notes that instead of public organisations facing an uncertain ‘death’, they can be merged. C. Perrow, *Complex Organizations: A Critical Essay*, Third Edition, London, McGrawHill, 1986, at 272—3. There have been suggestions that IOs in the forest issue area can be merged; however, because of turf-battling within the organizations and the diverse needs of stakeholders, this possibility seems unlikely.

<sup>16</sup> To account for such a failure, the innovation project at the University of Minnesota explains why ‘setbacks and errors’ go uncorrected because of four ‘learning disabilities’: ‘it was difficult to discriminate substantive issues from “noise” in systems overloaded with a combination of positive, negative and mixed signals about performance overtime; entrepreneurs escalated their commitments to a course of action by ignoring “nay sayers” and proceeding “full scale ahead”; some innovation participants became hypervigilant, calling prematurely for changes in a course of action when minor or correctible problems were encountered; and in process criteria of innovation success often shifted over time’. Van de Ven et al note that although some of these errors were detected, they ‘snowballed’ until crisis situations were faced. A. Van de Ven, D.E. Polley, R. Garud, and S. Venkataraman, *The Innovation Journey*. Oxford, Oxford University Press, 1999, at 39. The resembles the situation of the IPF/IFF/UNFF outcomes during 1995—2005.

success or failure, which will be somewhat dependent on the agreement of a voluntary forest code at UNFF-6 and have repercussions for the continuation of global forest forum activities.<sup>17</sup> At the recent CLI in Germany during November 2005, greater informal discussions were being held on the possibility for a voluntary forest code to emerge at the global level. At the CLI, certain participants indicated that a voluntary code could, *inter alia*: ‘enhance participation of all stakeholders; contain strategic actions.....; build on existing IPF/IFF PfAs...taking into account the national sovereignty of its members’.<sup>18</sup> Other groups were held to discuss finance and regionalisation of such a voluntary code. At the CLI, many countries were of the view that UNFF-6 would lead to a formal code or a mandate for the development of a code.<sup>19</sup> If UNFF-6 leads to a transformational output, there could be radical changes to performance indicators at the global and national levels and member states would depart from events-based outputs alone as measures of performance.

Since the UNFF bases its performance on the outcome of events and member states’ perceptions of those events, political successes during such events must be communicated to national governments in order to maintain global political momentum in the forest issue area. The problem that occurs during forum activities is that attention wanes after such events – political actors get focused on other things at the national and international level.<sup>20</sup> By the time the next forum event is held, political actors do not review the information from the last event or read new documents. If they do not have

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<sup>17</sup> While this outcome is a possibility, D. Humphreys (2005) notes that ‘a major shift in the international climate of forest politics is thus unlikely, and for its proponents a global convention on forests is likely to prove an elusive quest for some time’. D. Humphreys, ‘The Elusive Quest for a Global Forests Convention’, *Review of European Community and International Environmental Law*, Vol. 14, Issue 1, 2005, 1—10, at 10. While at present there seems little support for a global forest convention, there is a possibility of creating a voluntary forest code at the regional level. However, the construction and implementation of a voluntary forest code may be limited in its effectiveness, due to high divergences in perceptions over cooperation, needs and supergoals at the global level.

<sup>18</sup> ---, ‘Interim summary of Group Discussion: Working Group 1a on Voluntary Instrument’, informal note distributed on 17 November 2005 at the country-led initiative of Germany in support of the UN Forum on Forests, Berlin, Germany, 16—18 November 2005.

<sup>19</sup> However, as of December 2005, it is more likely that UNFF-6 will develop a mandate for at least part of a code’s development. Outstanding issues such as how to implement a code at the regional level and how such activities will be funded will require more time to negotiate than what has been set aside at the two-week UNFF-6 session. For instance, member states have yet to discuss if there is a ‘critical mass’ of political member states that would support a code, and have not yet begun to consider other core issues such as the terms of a code’s regional focus, e.g. whether through utilising CPF members’ decentralised offices or establishing new structures.

<sup>20</sup> In the management literature, researchers suggest that behaviour in organisations based on events are likely to be more reactive and linear, thus less able to react to highly volatile and changing market and external environments. See, for example, K. Eisenhardt and J. Martin, ‘Dynamic Capabilities: What are they?’ *Strategic Management Journal*, 2000, Vol. 21, pp. 1105—1121. This is one reason why the increased structuration of UNFF has failed to take into account the changing dynamics of the forest problem and the increasingly divergent political goals at the global level.

the institutional knowledge, it is twice as difficult to build capacity during a one or two week meeting. Thus, participants in the UNFF processes may not have enough substantive knowledge to distinguish between satisfactory and unsatisfactory performance outcomes during forum events. They are more likely to rely on old routines and dominant perceptions of organisational performance.

However, if process legitimacy is a determinant of performance, then, one area that could jeopardize future assessments of sound performance is the participation of non-state members in UNFF processes. The UNFF MSD has already proved to be a failure in the eyes of many Major Groups, as their interests were poorly represented in the UNFF-5 negotiating documents until last minute lobbying efforts took place. Unless restructuring of the MSD is taken into account and renewed commitment to working with stakeholders is expressed by the UNFF Secretariat and its members, there is little hope that non-state members will continue to have the will or desire to participate in global-level forum type discussions. This may have repercussions on future perceptions of the UNFF.

Additionally, with the failure to negotiate a new IAF at UNFF-5, an opportunity was lost to explain forests' contribution to meeting broader UN (corporate) strategic goals during the MDG review conference in September 2005. This missed opportunity has cast the forest issue further down the political radar screen. While the MDGs were still being proposed by a very few political actors for inclusion in a voluntary forest code, more political and technical actors believed the MDGs should not be a major focus of such a code.<sup>21</sup> Even though the MDGs reflect the broader corporate goals of the UN, a forest code could act as a complementary mechanism to the MDGs,<sup>22</sup> rather than making them a core focus of a new code. This approach would contribute to the overall implementation and performance assessment of the MDGs.

In general, performance measurements are not being thought of concretely in discussions on a forest code. However, an opportunity exists to improve assessments of performance though the development of a voluntary code on forests (both for the MDGs and in the forest issue area). A number of successful codes have been used to stimulate regional or

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<sup>21</sup> From statements made during Group 1a on Voluntary Instruments at the country-led initiative in Berlin, Germany, 16—18 November 2005.

<sup>22</sup> Specifically, targets or objectives could be set for forests that help facilitate implementation of MDG #1, on the reduction of poverty and MDG#7, on environmental protection.



global level behaviours in the absence of global conventions.<sup>23</sup> Some have even led to the establishment of global conventions.<sup>24</sup> If a voluntary forest code can harmonise performance indicators at least at the regional level, then some progress will be made to facilitate implementation of organisational programmes and determine effectiveness of SFM at the regional levels. This would also ‘reinvent’ the organisation, helping it to overcome its regressive change output from UNFF-5.<sup>25</sup> However, if a weak or no voluntary code is designed at UNFF-6, this would exacerbate the problem of fragmented performance indicators among the organisations.

Across the forest organisations in this study, assessments of project and programme outcomes at the national level have failed to be effectively integrated into succinct organisational or global performance indicators. Suggestions to improve these indicators will be the subject of future work, as further investigation of organisational budget structure and performance assessments would need to be performed. Nevertheless, from a governance perspective, organisations can become better equipped to anticipate organisational threats and collect performance data from non-governmental stakeholders at the national level. Greater engagement of non-governmental stakeholders can help bridge the governance and performance gap in IOs. However, this approach to improving performance will require larger cultural change that would take time to be accepted by the entire organisation and its members.

Strengthening the role of both decentralised organisational initiatives and non-member states participation can help bridge the performance gap in IOs. As the empirical work has shown, the need for increased information in the external organisational environment

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<sup>23</sup> For a discussion of voluntary codes in the international system, see. R. Tarasofsky and L. Flejzor, ‘The Potential Role of a Voluntary Instrument on All Types of Forests’, Chatham House Briefing Paper, November 2005, available at <<http://www.riia.org>>. Examples of voluntary codes include the International Code of Conduct Against Ballistic Missile Proliferation, a successful code that was formed to supplement the Missile Technology Control Regime, and International Code of Conduct on Transnational Corporations (TNCs), a failed attempt to regulate the behaviour of TNCs.

<sup>24</sup> For example, the FAO Plant Genetic Resources Treaty (2003) was based upon an ‘Undertaking’ established in 1989. Thus, a forest code can be a ‘pilot test’ for deciding how to create a global convention in the long term. There was limited support for a convention by experts at the CLI in Berlin, Germany, with traditional forest convention supporters such as Canada and Germany advocating for this approach. Moreover, UNFF Secretariat members were also wedded to old Secretariat routines in their interventions, e.g. preferring to rely on existing PfAs and processes to implement a possible voluntary code, instead of thinking about the establishment of new ways to implement the objectives of such a code.

<sup>25</sup> This concept is taken from private sector companies that fail and are then required to create a new image, possibly using a new operational strategy to ‘reinvent’ themselves in the market. Collins and Porras (2002) account for a number of ‘visionary’ as well as failed company experiences. See J. Collins and J. Porras, *Built to Last: Successful Habits of Visionary Companies*, Harper Business Essentials, London, Harper Collins Publishers, 2002.

was a primary determinant of adding consultative practices during strategic change processes. This often created the need for new governance structures, but also increased process legitimacy of the strategic exercise by bridging existing governance gaps in the IO. In addition, these outreach activities helped overcome organisational inertia during strategic change processes.

## 8.2 INERTIA AND GOVERNANCE STRUCTURES

As explained in Chapter Three, IOs have responded to a range of stakeholder interests by changing their governance structures. However, two separate governance structures still predominate IOs: forum-type structures for organisational member states and those for non-member states. The norms and routines that build within each of these structures led to increased inertia in the IOs studied in this thesis. These norms and routines were more than decision-making routines and were embedded in the cultural and social practices of these institutions.

However, clear incongruities exist between IO governance structures and their external and internal environments.<sup>26</sup> Well-established organisational structures left little flexibility for the formal participation of new actors, except during some of the strategic change processes.<sup>27</sup> In some of the IO case studies, ‘loose’ governance structures were required to facilitate greater interaction between organisational members and local communities where the organisation’s projects or programmes were located. While this helped organisations gather new information, it did not help non-member states to significantly impact most strategy and policy outputs during political events, unless they were informally involved at the outset of the strategic process.

Organisational member state influence in strategic change has been the predominant influence on the strategic change outputs.<sup>28</sup> As seen in each strategic change processes of this thesis, the change processes were not able to succeed without the acceptance of

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<sup>26</sup> Hult and Walcott explain how certain governance structures are ‘more or less appropriate in shaping an organisation’s response’. See K. M. Hult and C. Walcott, *Governing Public Organizations: Politics, Structures, and Institutional Design*, Pacific Grove, California, Brooks/Cole Publishing Company, 1990, at 61.

<sup>27</sup> I acknowledge that this is standard practice in private and public organizations. However, the argument in this thesis is that more non-governmental actors need to be taken into account during public organizational strategic change processes, when threats to the organisation are high or the technical aspects of the issue area are poorly understood.

<sup>28</sup> L. Emmerij, R. Jolly and T. G. Weiss, *Ahead of the Curve? UN Ideas and Global Challenges*, UN Intellectual History Project Series, Indianapolis, Indiana University Press, 2001.

formal policy and strategy documents or negotiated mandates designed by member states in organisational governance structures. Some might argue that this is because of power relationships and historical precedents set within the IO.<sup>29</sup> Nevertheless, a broader view needs to be taken to consider the political aspects of forest-related IOs.

Organisational member states are often the first to determine a strategy's or policy's appropriateness in its operational (or local) environment, since country-level reporting is usually required by forest-related IOs. However, those responsible for implementing the strategy or policy – usually non-governmental stakeholders working on IO related projects and programmes – are on the 'front lines' of determining the effectiveness of those projects and programmes. Despite non-governmental stakeholders' proximity and increased ability to assess implementation of strategies and policies, discussions of 'appropriate' measures of performance in policy or strategy are often only among national governmental representatives within forum-type events.

This raises the issue of to whom the organisations are accountable. It might seem that IOs are accountable to their member countries during politically-driven strategic changes whereas during technical initiatives, IOs are accountable to a more diverse range of stakeholders.<sup>30</sup> However, strategic processes can increase the overall level of organisational accountability, regardless of its political or technical focus. As explained in the case studies, a more flexible definition of organisational accountability is required, since it can provide greater flexibility in conducting outreach to a broad range of stakeholders and lead to greater strategic choice.

Accountability is also only one component of determining stakeholder participation in strategic change processes. The extent to which IOs conduct outreach to external stakeholders is dependent on the nature of the problem, the target audience of the policy or strategy and the information gap that exists in the organisation. Overall, the governance of stakeholders in the four IO strategic change processes is shown in Table 8.2 below:

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<sup>29</sup> B. Burnes, *Managing Change: A Strategic Approach to Organisational Dynamics*, Third Edition, London, Prentice Hall, 2000; A. Pettigrew, E. Ferlie and L. McKee, *Shaping Strategic Change: Making Change in Large Organizations*, London, Sage Publications, 1992.

<sup>30</sup> For one explanation of this, see R. Keohane, 'Global Governance and Accountability,' in D. Held and M. Koenig-Archibugi, *Taming Globalization*, Cambridge, Polity Press, 2003.

Organisation	PERCEIVED LEVEL OF TECHNICAL UNCERTAINTY		
	LOW	MODERATE	HIGH
Food and Agriculture Organization (FAO)	NGOs/private sector	FAO member states FAO regional offices	FAO Secretariat staff (headquarters)
International Tropical Timber Organization (ITTO)	NGOs/private sector	ITTO Secretariat External Consultants	ITTO member states
World Bank	World Bank member states	NGOs/private sector IUCN consultants	World Bank Executive Board; World Bank staff (headquarters)
UN Forum on Forests (and preceding IPF/IFF processes)	NGOs/private sector	UNFF Secretariat staff	UNFF / CSD member states

Table 8.2 Stakeholder governance in strategic change processes, 1994—2005 (source: the author)

The table shows that over the last ten years, the influence of IO member states was highest in organisations where minimal searches for new information were required. This was based on the perceived uncertainty about the problem in question and nature of the strategic exercise. Thus, power was an important influence in strategic processes with greater amounts of technical certainty, although it was not the primary determinant of the strategic outputs.

Where uncertainty about a given problem was high (e.g. in the World Bank), the need to search for more information in the IO internal and external environment was also high. In the Bank's strategic exercise, participation by non-member states was moderately high, since technical uncertainty was moderately high. The ITTO also hired consultants to investigate outcomes of project and policies, since technical uncertainty was perceived as high in these cases.

Where perceived uncertainty about the technical aspects of forest issues were low, e.g. in the UNFF and ITTO, the need to search for outside information was also low. This resulted in the formation of mandates to focus global level work on a few core actions. However, at the outset and latter stages of the UNFF and ITTO strategic change

processes, perceived low levels of uncertainty may have detracted from focusing on other strategic issues, such as the need to address the divergent goals of actors regarding a forest convention.

However, in all cases, corporate institutions or key leaders in each organisation determined the extent to which strategic processes and content were able to shift radically. At the outset of the strategic process, these organisational institutions and corporate leaders would determine how the process was legitimised, based on whether the strategic change output was more political or technical in nature.<sup>31</sup> This set the pace for change and determined where information searches and decision-making took place.

Not addressing organisational actors' divergent goals early in strategic change processes had an impact on the level of inertia in organisational governance structures. The IPF/IFF/UNFF processes ignored actors' divergent political goals until much later and may have contributed to the failed UNFF-5 output. Where the goals of the meeting were political, technical analysis was kept to a minimum. Thus, there was a need for process and outcome legitimacy from member states in these situations, where strategic thinking and searches for new information were confined to forum-type events.<sup>32</sup>

Hult and Walcott (1990) note that 'process legitimacy' focuses on 'how decisions are made rather than what decisions ultimately result (though legitimacy will inevitably have substantive components as well)'.<sup>33</sup> They suggest that if process legitimacy is achieved, the decision outcomes will also be perceived as legitimate. Where 'process legitimacy' was required from non-member states and technical uncertainty was high, the process involved high levels of outreach to non-member states.

This was evident in the Bank's strategic process. When technical uncertainty was addressed by lengthy searches for new information, creating legitimate goals based on

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<sup>31</sup> The technical and political aspects of issue areas often overlap or become political, depending on the nature of the issue and the decision to be taken. The case studies have shown that where organisations have led their own strategic processes and assessed a given problem, the process for strategic change was more inclusive, if it was based on technical rather than political input. Such technical aspects of forests include, the effects of concessional logging activities on forests; the rate of deforestation in moist tropical forests; and monitoring, assessment and reporting on all types of forests. Although this thesis argues that the higher the technical uncertainty, the greater a variety of stakeholders are needed in the process, the reverse may be true in other issue areas and organisational contexts.

<sup>32</sup> Hult and Walcott (1990) utilise the terms process and outcome legitimacy when discussing stakeholder governance in institutions. They note, however, that the two are not necessarily distinct.

<sup>33</sup> Hult and Walcott (1990), *op cit.*, above at n. 26, at 66.

technically credible information became more difficult.<sup>34</sup> As a result, greater consultation toward the end of the strategic processes was required with powerful organisational leaders and member states.

The perceived need to rely on corporate governance structures for guidance emerged from organisational cultural practices, goals and routines established early in the organisation's development. In each organisation, inertia increased when organisational institutions, e.g. those governance structures composed of member states, were brought into the strategic process. This increased the formality and structure of the process and decreased flexibility in the level of strategic choice and type of output, bringing greater focus but increased politicisation to the document's content. Increasingly structured processes particularly reduced the level of technical decision-making.

### ***Formal Stakeholder Participation***

This raises the importance of decision-making institutions within strategic processes. Clearly, UN forum activities have become institutionalised over the past 60 years. This means that routines for member state participation have been formalised and entrenched in UN negotiations and discussions. As the founders of the UN, governments became the dominant participants in UN political discussions as UN 'member states'. In this sense, member states are to the UN what the 'privileged position of business' is to capitalist democracies.<sup>35</sup>

Due to the long-term precedent set in the UN, it is still difficult to overcome established norms in institutional settings, which view forum events as the venue for political decision-making. Consequently, most organisational institutions aim to reduce the level of technical decision-making during forum events. This raises difficulties where global issue areas are new, complex or prone to uncertainty, as greater time may be necessary to discuss technical rather than political concerns during such events.

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<sup>34</sup> Hult and Walcott note that 'legitimacy derives largely from the manner in which goals are determined, rather than from the content of the resulting commitments'. Hult and Walcott (1990), *op cit.*, above at n. 26, at 63. High levels of technical uncertainty may also be an indication that strong political forces in an issue area exist.

<sup>35</sup> The phrase 'privileged position of business' was coined by Charles Lindblom (1977), who noted that predominant business interests in capitalist democracies, while variable over time, could induce stability at various points in time. Also, Baumgartner and Jones (1993) note that elements of the business community could be at odds on public policy issues. See F. Baumgartner and B. Jones, *Agendas and Instability in American Politics*, London, University of Chicago Press, 1993.

Esty and Ivanova note that 'data collection, indicator development, monitoring and verification and scientific assessment and analysis' are central to sound decision making. They note that these are critical information gaps in existing environmental institutions, which could be bridged by establishing a Global Environmental Information Clearinghouse. They argue that more coordinative mechanisms outside existing institutions need to be established before larger structural issues of organisations are addressed.<sup>36</sup>

Technical issue areas such as those in the CBD have sought to tackle such complexities by establishing subsidiary bodies offering technical advice. These forums act in conjunction with political forums during joint plenary sessions. While this increases the level of technical considerations given to an issue, the linear nature and politics of such forums are a poor fit for solving global technical problems due to the multiple and often competing goals within an issue area, the high uncertainty about how to solve the problem in question, and their eventual politicisation in forum events.

Highly technical and political issue areas such as forests require IO environments where greater flexibility for problem-solving is possible. Information obtained in a decentralised or network environment can be diffused into a hierarchical organisational setting or governance structure. Highly structured, forum activities in governance structures reduce the flow of new ideas into problem-solving and increase the level of politicisation of a given issue. Structured forms of organising at the central organisational level may also negatively impact upon non-governmental stakeholder participation.

In the case studies examined here, some organisations have formalised non-member state participation using the MSD (e.g. the UNFF), which is based on the CSD model. The formalisation of this Dialogue has actually impeded a range of stakeholder participation at the outset of the strategic process, due to cost, unfamiliarity with global negotiating processes and lack of collective action of participants on goals. Some participants in the UNFF MSD have recently begun to engage in more tactical and proactive participation than at the outset of MSD activities. However, the increased

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<sup>36</sup> See D.C. Esty and M. H. Ivanova, 'Revitalizing Global Environmental Governance: A Function Driven Approach', in D.C. Esty and M. H. Ivanova (eds), *Global Environmental Governance: Options & Opportunities*, New Haven, CT: Yale School of Forestry & Environmental Studies, 2002, at 6.

presence of MSD actors during political forum events increased resentment by some UNFF member states.<sup>37</sup>

In the case of the ITTO, however, the reason for formalising stakeholder participation is largely tactical, since the importance of the ITTO seemed to be waning in the eyes of external participants during the 1990s. The Trade Advisory Group and the Civil Society Advisory Group were added as part of the ITTC governance structure under the ITTA, 1994. However, these groups are only able to participate as observers during the plenary sessions of the ITTC and the UN Conference on the renegotiation of the ITTA, 1994. Most of the stakeholders present during these sessions knew that they were less likely to influence policy and strategy outputs but could contribute new ideas and participate on more technical matters ‘in the corridors’ of negotiating sessions. Thus, ITTO non-member states perceived informal participation far more important during high-level political events, although a formal structure existed under the ITTC.

In highly institutionalised forum settings, the influence of stakeholders was very low on process outputs. In certain situations, however, non-member states acting as ‘strategic entrepreneurs can manipulate the voting situation to achieve their objectives, even if they cannot change the preferences of those making the decisions.’<sup>38</sup> As noted above, this is often achieved informally at UNFF, ITTO and FAO sessions, even when non-member states participate formally in a structured stakeholder group (e.g. MSD or ITTO TAG).

When non-governmental stakeholders produced analytic work for use by member states or participated as members of a delegation during institutional forum event, they also had more influence on decision-making processes. Their participation contributed new ideas and built stronger relationships with influential member states. Formal non-governmental stakeholder participation (usually through statements made as ‘observers’)

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<sup>37</sup> For instance, at UNFF-5, the delegation of Cuba publicly suggested that the cause of the failed UNFF-5 outcome was due to MSD events. This intervention caused an uproar among the Major Groups and threatened temporarily their continued participation in the UNFF dialogues.

<sup>38</sup> Baumgartner and Jones (1993), *op cit.*, above at n. 35, at 13—14. Baumgartner and Jones posit that ‘any situation where voting matters, stability is dependent on the dimensions of conflict present, on the order in which decisions are made, on the number of alternatives considered at the same time, on how alternatives are paired if choices are made in sequence, on the number of voters taking part in the decision, and on a variety of other characteristics that are not related to or affected by the distribution of the preferences of those making the decision’. Baumgartner and Jones (1993), at 13.



in highly structured forums had little affect on final decision outputs of the strategic change processes.

In this study, the strategic processes were determined largely by the legitimacy of ideas, and varied 'at least in part with the problem setting'.<sup>39</sup> In most cases, IOs believed they were most accountable to the governance structures within their organisation, such as Executive Boards, other departments and Council and Committee structures. However, where external perceptions of poor performance and technical uncertainty were low (e.g. UNFF), strategic processes were mostly retained within the IO or its formal governance structures. Where external perceptions of performance were low but technical uncertainty was high (e.g. World Bank), strategic change processes were maintained outside of the IO's formal governance structure.

In contrast to policy, strategy takes a different approach to including stakeholders. Bryson (1995) indicates that 'no one is fully in charge; no organisation contains the problem. Instead, many individuals, groups, and organisations are involved, or affected, or have some partial responsibility to act.'<sup>40</sup> Such an approach may help 'check the box' in engaging with a range of stakeholders, but does it really add value to the process and product of strategic change? The value of establishing loose governance structures and consultative methods is explained below.

### ***Loose Structures and Consultative Methods***

One possibility to maximise process legitimacy during strategic change is to engage stakeholders informally at the national and local levels. In the late 1980s and early 1990s, non-state members participated on government delegations; however, further engagement of non-state members was sought at the central level.<sup>41</sup> With the formalisation of stakeholder dialogues, it became increasingly difficult to penetrate policy approaches and decision-making in an integrated manner. The benefits of strategy to stakeholders versus those of policy were that routines for strategy had not yet been

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<sup>39</sup> Hult and Walcott note that legitimacy 'refers to the general satisfaction of citizens and other political actors with policymaking'. Hult and Walcott (1990), op cit., above at n. 26, at 67.

This has implications for how and when performance is considered, as performance assessments may be determined by the process inputs and outputs that relate to decision-making in governance structures.

<sup>40</sup> J. Bryson, *Strategic Planning for Public and Non-Profit Organisations: A Guide to Strengthening and Sustaining Organisational Achievement*, San Francisco, Jossey-Bass Publishers, 1995, at 6.

<sup>41</sup> One interviewee suggested that this mode of participation is more effective during decision-making, citing examples such as the CITES plants and animals committee where scientists contributed to new policies at the global level. L. Flejzor, from a semi-structured interview with Interviewee #2, Session B.

created in the mid-1990s. The level of stakeholder participation seemed to increase when stakeholder structures were less formalised and further away from the norms and routines of the central organisation conducting the strategic change process.<sup>42</sup>

The role of consultants (e.g. consultants forming temporary strategic teams or acting as fact finders or workshop facilitators) is also particularly important in this sense. Consultative strategic planning can be used in situations that are political in nature, in particular, where technical uncertainty is high and consultants are not members of the IO. Consultants can be more objective in this regard, since they have less of a stake in the outcome of events and their personal advancement in the organisation.<sup>43</sup> Consultants were used both in the ITTO and the World Bank case studies, and only to a small extent in UNFF and the FAO. The control and compilation of ideas by consultants was essential to building new knowledge, which the consultants could deliver in a concise, persuasive manner. To an extent, the shift in strategy and policy content was initially in the hands of the consultants.

At first, the legitimacy of consultants may be weak, due to negative perceptions of dominant coalitions or local communities' previous experience with consultants acting on behalf of IOs that work on politicised issue areas. For instance, a number of stakeholders complained, in the World Bank's strategy process, stating that the consultants could not be objective actors in the process, since the World Bank paid them. However, the purpose of hiring consultants was to generate an honest, informal atmosphere in order to obtain feedback from local stakeholders. The Bank's consultants succeeded in doing this by building informal relationships, creating an informal atmosphere during workshops and designing an NGO self-selection process to emerge. This approach was also a necessary part of breaking organisational inertia.

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<sup>42</sup> Hendry and Siedl (2003) note that 'strategic episodes' are loose structures that occur outside of formal routines in an organizations. They suggest that the suspension of such routines increase the level of effectiveness of strategy because they are more informal and facilitate an increased level of ideas and feedback during strategy exercises. See J. Hendry and D. Seidl, 'The Structure and Significance of Strategic Episodes: Social Systems Theory and the Routine Practices of Strategic Change', *Journal of Management Studies*, 2003, Vol. 40, No. 1, January 2003.

<sup>43</sup> One interviewee on the FAO strategic change process also noted the FAO's unwillingness to hire consultants at various points in the change process, because in past experiences, management consultants had presented advice that was not relevant to the reality of the organisational situation. L. Flejzor, from a semi-structured interview with Interviewee #18, Session C. With this in mind, a careful balance must be struck between relying on consultants as objective investigators for new information and an over-reliance on them for solving organisational problems.

The need for informal locations and for external facilitation was also essential, since higher levels of management at organisational headquarters tightly control organisational decision-making. In the structure of the centralised organisation, there is no informal space that allows facilitation of open dialogue and new ideas. External stakeholder inputs are weakened on the premise of an organisation or in a formalised process established by the organisation itself.<sup>44</sup>

In the absence of consultants, organisations could further engage non-member states for real-time information, possibly through global issues networks (GINs). Rischard (2002) suggests using GINs to solve policy problems, which is ‘a useful short-term mechanism in the creation and extension of an enlightened multilateralism’.<sup>45</sup> A network, in contrast to the IO, is ‘defined by what it does, not by an organisational form, defined structure or material appurtenances’.<sup>46</sup>

In the World Bank, such networks informally exist, such as that established through the workshop-type network of NGOs established during the Bank’s revised Forest Strategy and Policy process.<sup>47</sup> Many of the NGO participants in this network now participate in the TAG, which will eventually help evaluate the Revised Forest Strategy and Operational Policy’s implementation. Such an approach builds the case for creating more global networks to act in conjunction with IOs.

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<sup>44</sup> The further exploration of the Bank’s application of loose governance structures in the Revised Forest Policy and Strategy could be further explored using complexity theory. For instance, it is not known whether some of the external stakeholder messages were not infused in the Bank’s strategy and policy exclusively because of the process used or because the overabundance of information from the workshops lead to paralysis of the strategy coordinators (For a discussion on this phenomena, see Lissack (1999) Additionally Lissack (1999) proposes the use of complexity metaphors to describe stakeholder interactions as ‘coevolving deformations’ across an organisation’s ‘fitness landscape’, or in the organisation’s optimal environment. This helps take into account the emergence of networks across the organisation’s external environment and how new ideas were fed back to the central organisational level. See M. Lissack, ‘Complexity : The Science, its Vocabulary and Its Relation to Organisations’, *Emergence*, 1999, Vol. 1, Issue 1, available at <<http://emergence.org/complexity1.htm>>

<sup>45</sup> D. Held, *Global Covenant*, Cambridge, Polity Press, 2004, at 107.

<sup>46</sup> L. Gordenker and T. G. Weiss, ‘Pluralising Global Governance’, in T.G. Weiss and L. Gordenker (Eds) *NGOs, the UN and Global Governance*, London, Lyne Rienner Publishers, pp. 17—47, 1996, at 35. This stands in contrast to other academics such as Esty and Ivanova (2002), op cit., above at n. 36, who suggest that a formal Global Environmental Mechanism be established to centralise information on environmental issues. In practice, however, this would be very difficult to achieve if organisations have limited success in gathering information from the field.

<sup>47</sup> Due to this network-like structure, Gordenker and Weiss suggest that ‘by positioning themselves centrally in informal networks, NGOs can exert an influence above and beyond their weak formal status’. Gordenker and Weiss (1996), op cit., above at n. 46, at 35.

The generation of information from such networks at the decentralised level should be internalised at the central organisational level. However, there is a clear limitation in certain organisations' capabilities to collect, disseminate and analyse such information. Part of this problem results from the fear of member states that non-governmental stakeholders will encroach on member states' power. It is clear that 'governments resist the encroachment onto their traditional domains of authority, even as they seek to use non-governmental organisations to bolster their own legitimacy'.<sup>48</sup>

This authority is, to a degree, determined by the amount of financial resources member states contribute to a strategic exercise. The Bank's strategy and policy resulted in a process innovation and a new output, since the strategy team was able to raise funds for strategy development during the early stages of the project.<sup>49</sup> In contrast to the Bank's highly funded outreach process, the FAO, ITTO and UNFF currently do not have the financial resources to undertake such activities. The ITTO Secretariat increasingly calls for new monitoring and evaluation resources with the hope of engaging stakeholders at the local levels, although member states have not been willing to fund these positions. The UNFF is also working on more innovative fundraising techniques for managing and conducting outreach to stakeholders through the establishment of a voluntary code and renewal of the CPF network.

However, others see the need for extensive outreach as a product of wrong assumptions at the outset of the strategic change process.<sup>50</sup> At present, a key leader or powerful governance institution drives problem assessment during the strategic change process. Thus, these actors see little need to engage with non-state members unless technical uncertainty is high. In the future, better analyses of IO project and programme performance is necessary during monitoring and evaluation activities, to enhance performance of IO projects and programmes and to start an attitudinal shift about the value of non-governmental stakeholders in increasing organisational effectiveness.

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<sup>48</sup> K. Conca, 'Environmental Organisations and the UN System', in T.G. Weiss and L. Gordenker (eds) *NGOs, the UN and Global Governance*, London, Lynne Rienner Publishers, 1996, pp. 103—119, at 116.

<sup>49</sup> Hage notes that 'charismatic movements, which are much like the development of radical new processes and outputs, cannot survive long on altruism; they need a solid financial basis. The search for new funding sources thus becomes a critical aspect of the initiation stage'. J. Hage, *Theories of Organizations: Form, Process, and Transformation*, New York, John Wiley and Sons, 1980, at 219.

<sup>50</sup> L. Flejzor, from a semi-structured interview with Interviewee #19, Session B.

The governance of the strategic process is determined largely by historical precedents set in organisations, structured stakeholder participation and perceived threats in IOs' external environment. Where technical uncertainty was high, the mechanisms used to manage the process both in policy and strategy formation involved the use of consultants and informal planning exercise, which often resulted in the generation of new ideas and innovations. However, where technical uncertainty was perceived as low, the process was determined by institutional forums where political member states were the key actors in the process. Such perceptions may have masked larger problems in the IO environment.

However, due to the highly structured IO environment, adequate space was not provided in which to explore the issue's degree of technical uncertainty. Strategy may help provide greater space in which to assess problems and design strategic processes before taking decisions on technical and political matters. Greater clarity is required to assess the benefits and appropriateness of strategy versus policy as a planning tool, and as a way to increase the process and outcome legitimacy of strategic change.

### **8.3 MANAGING CHANGE ACROSS A GLOBAL ISSUE AREA**

The global forest agenda is incredibly difficult to manage at present, due to its many degrees of uncertainty and complexity. The ability of forest-related IOs to undergo a strategic change was due in large part to the desire to control the amount of work undertaken on forests at the global level. Thus, there was a clear need to design a few objectives to implement over specific periods of time.<sup>51</sup> This increased the manageability of the political and organisational agenda.

In the four cases studied, the use of strategy most closely resembled business process reengineering<sup>52</sup> techniques, where organisational staff had control of the strategic change process. Organisations needed to choose which objectives to implement and how to

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<sup>51</sup> This is also supported by a similar notion that aid agencies need to do less in at the global level. See L. T. Munro, 'Focus-Pocus? Thinking Critically about Whether Aid Organizations Should Do Fewer Things in Fewer Countries', *Development and Change*, 2005, Vol. 36, No. 3, Oxford: Blackwell Publishing, pp. 425—447.

<sup>52</sup> P. Sadler notes that 'the redesign of processes is often referred to as "business process reengineering"' and can include 'the identification and elimination of activities along the value chain that do not add value.' In P. Sadler, *Strategic Management*, Second Edition, London, Kogan Page Limited, 2003, at 221.

implement them.<sup>53</sup> In the future, this will be based on the perceived level of complexity of the agenda and organisational control.

This study showed that policy processes were much more constrained by powerful governance structures than strategy. The greater the presence and reliance on governance structures for organisational decision-making, the less the organisation's ability to respond to threats or complex changes in its environment. This is because decision-making in governance structures is largely linear and based on events, whereas the more informal nature of organisational decision-making permits IOs greater flexibility and autonomy.

Thus, there is a greater need to rely on organisations to conduct strategic change processes, to take into account changing circumstances in global issue areas. This can be done by establishing networks and devolving authority to country-level offices.<sup>54</sup> In the absence of further structural changes to IOs, future strategic outputs in forest-related organisations (in similarly structured organisations) are likely to represent one of the three change types exhibited over the last 10 years. These change outputs are explored below in Chart 8.1 below:

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<sup>53</sup> Kathleen Eisenhardt and Shona Brown argue in *Competing on the Edge* that strategic approaches need to answer the questions of where the company is going and how to get there. Eisenhardt (2003) also suggests that strategic decision-making is key to this process, and that four approaches can be taken by management for more effective decision-making. These are: 'building collective intuition that enhances the ability of a top-management team to see threats and opportunities sooner and more accurately; stimulating quick conflict to improve the quality of strategic thinking without sacrificing significant time; maintaining a disciplined pace that drives the decision process to a timely conclusion; and defusing political behaviour that creates unproductive conflict and wastes time'. From K. Eisenhardt, 'Strategy as Strategic Decision Making', in H. Mintzberg, J. Lampel, J. Quinn, and S. Ghoshal, *The Strategy Process: Concepts, Context and Cases*, New Jersey, Pearson Education, 2003, pp. 149—152.

<sup>54</sup> Pettigrew et al (1992) notes that 'large bureaucratic organisations will not be able to switch from hierarchies to networks, rather they will have to build and use both'. Pettigrew et al (1992), op cit., above at n. 29, at 299. However, is this possible? Perrow (1986) suggests that combining centralisation with decentralisation when faced with tightly coupled but complexly interactive systems is 'difficult, perhaps impossible, to have both.' Perrow (1986), op cit., above at n. 15, at 148.

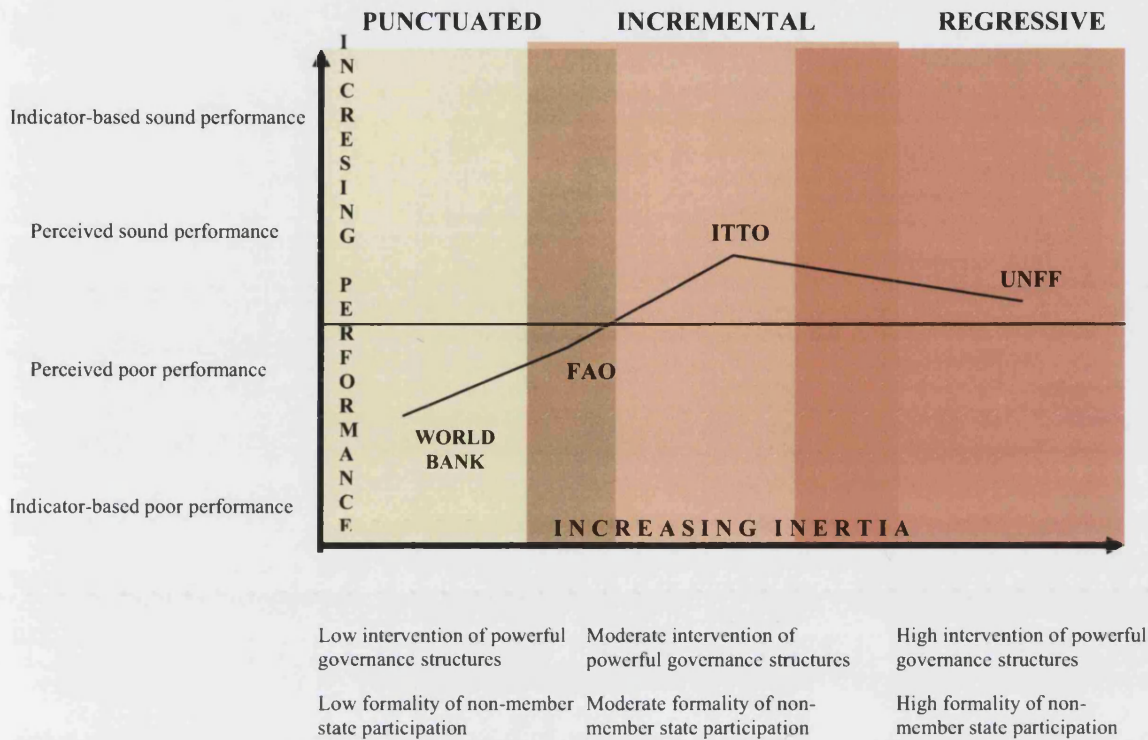


Chart 8.2 Strategic Change Outputs in IOs

As seen above, the most likely change in IOs is incremental change. This is because there typically exists a moderate level of formality of government and non-governmental stakeholder participation during global forest decision-making processes. These structures, which rely on events-based outputs to assess performance, are constrained by routines and thus cannot transform organisational agendas. Incremental changes result if organisations have a ‘good’ fit with their external environments based to an extent on quantitative or qualitative indicators. If moderate levels of formality exist in the organisation where performance is deemed sound, incremental change usually results. However, in the long run, formality of organisational events-based agendas within powerful governance structures can lead to regressive change.

Regressive change is the least likely outcome in IOs at present, since IOs have ‘long lives’ and are only now reaching maturity. Thus, it has been difficult for researchers to assess regressive change. Yet, regression may more frequently occur in the future of IOs, if more policy and process failures result in IOs. If an organisation experiences regressive change, transformational change will subsequently be necessary to renew the organisational or policy in question. However, the political and resource viability of the

organisation in question will need to be high enough to allow new processes to emerge. Once given this space and financial resource, transformational change becomes possible.<sup>55</sup>

Transformational outputs or ‘punctuated change’ results where poor performance is concretely known. This is due to, *inter alia*, external stakeholder complaints, decreasing requests for new organisational work, or poor returns on organisational investments. This builds a case about the need for change in IOs as well as the support from key leaders to initiate the change. However, to undergo transformational change, low intervention from powerful governance structures is necessary for organisational staff to enact new processes and carry out searches for new information in the organisation’s external environment. At the outset of the strategic change process, the strategic ‘goals’ needed to be clear. Transformational outputs are thus more likely to result.

For example, since organisational leadership observed the poor fit between the organisation’s strategy and its external environment, a new strategic approach was taken to the World Bank’s work in the forest sector. As local and national stakeholders implement the Bank’s activities, a significant amount of field-level research was required to determine the appropriateness of existing operations in the forest sector and where changes were needed. Due to the poor fit of the old forest strategy and policy, policy and strategy activities resulted in radically new outputs.

In contrast, no major changes to programme activities were deemed necessary by the FAO leadership. The leadership saw a high level of appropriateness of the department’s strategic fit, which was largely determined by FAO institutional structures (e.g. COFO). The core of the problem was ‘stylistic’ and directed at organisational personnel, rather than the work of the Forestry Department. Thus, a moderate level of strategic change existed (transformational only in ‘style’, as the strategic change resulted in a process innovation and broke away from the original FAO mandate.<sup>56</sup> However, the output did not create a radical shift in the department’s (or organisation’s) core work.

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<sup>55</sup> For instance, this may be illustrated in UNFF, if the output of UNFF-6 is a voluntary forest code.

<sup>56</sup> In the World Bank and FAO, change was initiated by a top-down approach although it was driven by emergent, bottom-up techniques. For a discussion of top-down approaches to change management, see for instance H. Mintzberg, J. Lampel, J. Quinn, and S. Ghoshal, *The Strategy Process: Concepts, Context and Cases*, New Jersey, Pearson Education, 2003 and Burnes (2000), *op cit.*, above at n. 29.



In addition, resultant levels of strategic change were due in part to the influence of corporate strategy. The acceptance by corporate leadership or institutional governance structures somewhat diminished departmental level flexibility to radically shift and implement the new strategy or policy in question. However, in the FAO and World Bank, organisational governance structures did not have primary control over the strategic change process. These examples are contrasted with the more political outputs in the ITTO and UNFF.

In the ITTO, actors in governance structures suggested incremental change to ITTO strategy and policy was required. This was due mostly to perceptions that the ITTA, 1983 and 1994 were mostly successful in achieving their objectives, and that greater focus of its activities was needed. Thus, in approaching its strategic planning activities, there was a high reliance on routines, as the organisation's strategy seemed to fit reasonably well its internal and external environments. In this case, strategy did not radically change policies and future strategies of the Organization.

By contrast, the sheer magnitude and time-bound nature of policy and strategy activities in the UNFF seemed to be part of its failure. While strategies were created to guide political behaviour, their effect was minimal, mostly because the PfAs were perceived as illegitimate outputs in a body that had no authority to implement them. Since policy rather than strategy was the starting point for the organisation's strategic change process, innovations in process did not occur and incremental changes resulted to the PfAs. These policy routines were well-established within governance structures and had been based on historical precedents.

In addition, the perceived performance of the previous UNFF structures, the IFF and IPF, were deemed relatively effective by their member states. This was because the ITTO and UNFF focus on political forum events rather than technical policy, project or programme outputs. Thus, there was a high reliance on events-based policy routines during the IPF and UNFF processes. Due to its poor performance over time and its inability to address divergent political goals, the events-based processes used to design policy were a poor fit for the organisation's purpose and ultimately resulted in a regressive change at UNFF-5.

In the cases of the ITTO and UNFF, policy guided the strategic initiatives, and strategic formation was ad hoc. While there was a team of strategy champions within centralised organisational governance structures, the actors in such structures did not share common goals and visions for the strategies. Actors in both the ITTO and UNFF were often submerged in the process of negotiations rather than the substance of the agenda.

Additionally, there was not an operational 'policy' plan associated with the implementation of strategic outputs because the 'modalities' had not been considered in advance, the agenda was too ambitious and there was a lack of technical expertise on implementation issues present at political events.<sup>57</sup> While the ITTO now plans activities on a biennial basis, the UNFF is still constrained by its organisational mandate, as it is not an implementing body. If the UNFF is continued in the absence of agreement on a voluntary code or binding convention, additional failures will likely result.

As the empirical work has shown, transformational strategic change is more likely to occur during strategy than policy processes. This is due in part to the lack of established strategy routines in IOs. However, policy routines in the World Bank were highly institutionalised and to an extent guided strategy formation in the latter stages of the change process. Although policy did not constrain FAO strategy initiatives, similar 'policy type' constraints emerged due to the influence of corporate planning practices. Due to their constraining nature, the timing of policy and corporate strategy formation should occur later in the strategy process. When coupled with strategy formation, however, such practices are a necessary component of gaining institutional acceptance in both organisations.

The use of policy, on the other hand, is more likely to lead to incremental change because of its highly political and more binding nature. Despite this, the use of policy is more common and relied upon in IOs as a tool for managing global political agendas. In the environmental arena, the use of policy has been applied in the 1990s due to the historical precedent set through the use of multilateral environmental agreements (MEAs) beginning in the late 1970s.

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<sup>57</sup> Pettigrew et al (1992), *op cit.*, above at n. 29.

The establishment of MEAs has become an institutional routine and reinforced over the years as a way to ‘problem solve’ at the global level. Thus, actors in the forest issue area adhere to an established institutional routine by using policy events as a means to problem solve. Due to its historical precedent, policy events legitimise the forest issue area by drawing high-level political attention, with an aim to stimulate political behaviours at the global and national levels.

The use of strategy and policy differ at the organizational level and the applications of the two tools also reveal the link between strategic change outputs and performance and governance gaps in IOs.<sup>58</sup> The rise of strategic planning and the prevalence of strategy as a management tool emerged in IOs in the late 1980s and 1990s. Some may perceive this to be a management fad, similar to trends in private sector strategic planning during the 1990s, which helped firms obtain a competitive edge in the marketplace. However, as seen in this thesis, strategy rather than policy was a more flexible planning tool in IOs during the early to late 1990s. If used as a future planning tool, improvements are needed in strategy and policy design at the global level, to understand the implications of these strategic processes, their benefits and drawbacks and their potential outputs.

### *Need for clarity between goals and objectives*

Despite differences in policy and strategy in forest-related IOs, a fundamental problem exists in using goals and objectives within both types of documents.<sup>59</sup> The use of the terms ‘goals’ and ‘objectives’ are not clear in the mind of IO actors. For instance, this was highly apparent during the January 2005 Mexico country-led initiative on the AHEG for the ‘parameters for a mandate with a view to considering an IAF’. During this session, experts discussed a proposal for including goals and objectives in the new IAF. In one working group, experts at the CLI spent close to an hour discussing the terms goals and objectives for inclusion in the new IAF. No consensus was reached on each of the terms, and the discussion was dismissed by the chairs of the CLI, who cast the discussion aside as a question of ‘semantics’.<sup>60</sup>

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<sup>58</sup> Pettigrew et al (1992), op cit., above at n. 29.

<sup>59</sup> This was based on observations of a discussion during the Guadalajara, Mexico country-led initiative in January 2005.

<sup>60</sup> In the grander scheme of things, some people believe that selection of objectives and modalities is cultural as well. When one UK representative, in March 2005, proposed having a ‘supergoal’ to explicitly state the purpose of the new IAF and then have five or so methods of achieving such a goal, there was not response from delegations to the suggestion. This is because many negotiators seem to want to leave the technical work, the ‘thinking’ to the first week of two-week formal policy events, and the decision-

Despite the lack of clarity between these two terms, 'goals' and 'objectives' subsequently became the basis for negotiation at both UNFF-5 and the ITTA, 1994 renegotiation, third part. Goals were considered 'targets' and objectives 'modalities'. Negotiators at these two sessions recognised the need to form a small number of goals and corresponding objectives, to both focus the agenda of political documents and help raise political commitment in the eyes of high-level politicians. This approach of using goals and modalities, a technique drawn from strategic planning, has thus influenced the form of policy.

Similarly, a strategy can contain a 'vision' or overarching 'mission statement' to serve as the equivalent of goals.<sup>61</sup> While some forest practitioners have seen policy as more of a vision, more often practitioners see strategy as the less constraining 'vision'. As seen in the case of the Bank, policy is 'the law' and strategy the vision for implementing specific forest programmes. At the organisational level, such visions or mission statements are less likely to be political because they tend to be designed by organisational staff.

However, the process by which such goals and objectives are formed, particularly in policy processes, is radically flawed. This is particularly true in the formation of policies in the ITTO and UNFF. During both recent policy negotiations, policy goals were negotiated at the same time as modalities. Most times, different actors were negotiating the two elements, which led to divergent preferences for outputs and confusion over goals and modalities in the new policy documents.

Both policy documents were to be utilised over the medium-term, with the view of renewing them over the long-term. Goals were considered to be associated with quantitative targets in the UNFF, which could be used to assess its future performance. Goals in the ITTA are more qualitative and similar to overarching mission statements used in strategic planning documents.

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making to ministers in the second week of events. Others, however, would say that such forward, strategic thinking is avoided because of diverging cultural approaches to achieving goals and modalities.

<sup>61</sup> For instance, the FAO used a vision construct a mission statement within its strategy. The construction of a 'vision' became popular in the 1990s, based on Japanese initiatives that build on strategic intent. Burnes (2000), *op cit.*, above at n. 29, at 245. Burnes notes that visioning, like scenario building, has attracted criticism since it relies on subjectivity, it cannot be carried out by novices, and the lack of consensus on what to do with the scenarios constructed.

However, modalities took on different forms. The UNFF negotiators saw modalities as means to implement the targets, using specific PfAs and a voluntary forest code. In the ITTA, the modalities were based on the ITTO's existing programme and project work. Unlike the UNFF, however, the negotiation of the new ITTA's modalities were constrained by financial means, which would determine the extent to which the ITTO was able to implement the modalities negotiated.

In the UNFF and ITTO, the strategies were designed to focus the work of member states and for organisational staff to use as a tool during programme and project implementation. It was clear to both organisations that such a strategy design could only be relevant in the short- to medium-term, as on-the-ground situations would change. Thus, the planning mechanisms were broad and are guided by the newly adopted practices of biennial budgeting. It is not yet known how the utilisation of such planning tools will impact the future work of both organisations.

### *MEAs and Strategy*

Due to the limitations of long-range planning of organisations in uncertain environments, why is there a high reliance on policy documents such as MEAs in the multilateral sphere? In the past, MEAs have sought to drive collective action in pursuit of common global goals.<sup>62</sup> As mentioned in Chapter Three, MEAs have taken shape on climate change, biodiversity and desertification. However, there is no MEA to address all types of forests.<sup>63</sup>

Formal policy and strategy documents take a long time to form and time-bound formation of such documents is generally constrained in their contents and viable outputs. By the time such documents are formed, new instruments or policies are often required to capture emerging issues. Given such complexities, what needs to be

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<sup>62</sup> As D. Held notes, these forms of political decision-making are not representative of political globalisation, as multilateral international conventions constitute 'too narrow a view of international politics'. Held (2004), *op cit.*, above at n. 45, at 75.

<sup>63</sup> On the one hand, this supports early work on strategy by A. Chandler, who noted that long-term goals and objectives of an organization (or strategy) would shape organizational structure such that the 'visible hand of management' prevailed over markets. This is similar to the mandated and formal policy objectives that established the UNFF and CBD. However, the utility of these structures is limited, begging the question of whether in the long-term this 'form follows function' approach is valid. It may be that strategy techniques will to an extent be based on organisational structure. This will follow Ansoff's view that structure determines strategy. (Based on Burnes' (2000) analysis of Chandler-Ansoff. See Burnes (2000), *op cit.*, above at n. 29, at 200)

considered in thinking about future tools for forming common agendas and goals in complex issue areas?

A number of researchers have suggested that future promise is held in the formation of global public policy networks, which could problem-solve at all levels. However, there is still the need to form collective action across these networks, to form an overarching or harmonised goal. Further experimentation and utilisation of decentralised groups can add value to central strategy and policy practice. Further research on dissipative structures and information–space as an explanation of a ‘social system’s information structure’ holds some promise for investigating informal governance networks’ influence on headquarters-level organisations and institutions.<sup>64</sup>

Additionally, the process by which goals and objectives are constructed in negotiating settings requires further review. Policy negotiations may not leave time for adequate diagnoses of technical problems. This can inhibit the effectiveness of the policy, if all participants do not know why a given policy is being constructed. When goals are negotiated at the same time as objectives, it becomes difficult to think about the construction of a goal and if the means of implementation are effective to address it.<sup>65</sup>

Ideally, separate negotiations should take place for problem analysis and negotiation of objectives.<sup>66</sup> Negotiators do little critical thinking to advance their understanding about the policy issue at hand. This is often due to the constrained financial and human resources of foreign ministries, NGO staff and the UN. Adequate space and commitment outside of formal negotiating sessions is required to allow negotiators to be more prepared during policy and strategy negotiations.<sup>67</sup>

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<sup>64</sup> M. H. Boisot, *Information Space: A Framework for Learning in Organisations, Institutions and Culture*, London, Routledge, 1995 at 7.

<sup>65</sup> This is reinforced by Perrow (1986)’s suggestion that the power theory of organisations – one that begins with the ‘solid rock of bureaucracy, modified by bounded rationality and considerations of internal and external group interest,’ extended to networks and sectors that include the state, and closely attentive to externalities – will show the way’. C. Perrow (1986), *op cit.*, above at n. 15, at 278. This could prompt a critical re-thinking of organisational forms, not just at the IO level but also for many private organisations, which maintain traditional forms of organising.

<sup>66</sup> Van de Ven et al (1999) note that the ‘coupling of actions and outcomes narrows the repertoires to those that satisfy the linear combination of feasible actions and desired outcomes’. Van de Ven et al (1999), *op cit.*, above at n. 16, at 204. However, this may also be difficult in practice, as some delegations are too small to negotiate in concurrent sessions on different issues.

<sup>67</sup> One way in which working groups can facilitate this process is by structuring dialogue according to a problem-solving style, containing a basic philosophy and policy preference. R. Mason and I. Mitroff, *Challenging Strategic Planning Assumptions: Theory, Cases and Techniques*, New York, John Wiley and Sons, 1981, pp. 112–114.

On the other hand, less binding, informal strategies can take the place of policy in the future, if there is a commitment from IO member states to operate this way.<sup>68</sup> Strategy holds promise in that its formation process is able to change according to the problem at hand. Thus, shorter-term strategies can be developed to address the negotiated issue area. This may hold promise if leaders can associate a strategy with a short 'vision', encapsulating the mission and essence of the strategy. However, there are drawbacks and positive aspects of this approach.<sup>69</sup>

For example, the MDGs are broad goals designed to be met over the medium-term. Even though the MDGs may be constrained in their results over the longer term, they have already harnessed considerable political commitment in the international sphere. Many near-term actions are being implemented at the national and global levels to implement the MDGs. While the MDGs currently do not make explicit many global issues including forests, goal formation provides ample flexibility when political attention shifts to negotiate new issue areas. When and if this happens, new goals can be designed.

R. Jolly et al (2005) note that global goals have been constructed as early as the 1960s in the UN, and have emerged as a benchmark for programmatic success or failure. They indicate, however, that organisations such as the World Bank have resisted the use of goals even after their adoption, opting instead for 'general economic indicators, such as the reduction in inflation and budgetary imbalances and the extent of liberalisation and privatisation'.<sup>70</sup>

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<sup>68</sup> As Brown and Eisenhardt (1998) note, managers can fall into the 'foresight trap' by not updating strategic plans or recognizing that shifting technologies can 'trap' a firm into 'visions of futures that never happen'. S.L. Brown and K. M. Eisenhardt, *Competing on the Edge: Strategy as Structured Chaos*, Boston, Harvard Business School Press, 1998, at 135. As seen in this study, substantial amounts of resources and time were needed to construct strategies. Nevertheless, for optimum performance, organisational actors must commit to updating strategies periodically or when deemed necessary.

<sup>69</sup> As in private organizations, the need for a common vision exists because of the range of interests and enormity of organizational structures across IO systems. The management literature calls on the need for a vision to generate collective action among a diverse range of actors and interests. See for instance, Sadler (2003), op cit., above at n. 52, Brown and Eisenhardt (1998), op cit., above at n. 68 and Boisot (1995), op cit., above at n. 64. The MDGs have helped countries focus on poverty alleviation initiatives within many IOs, and have to a certain extent become the central focus of organizational work. Where individual environmental issue areas are of low political importance, 'poverty alleviation' can internalise such issues. For instance, at the FAO COFO conference in March 2005, a consensus emerged that PRSPs should include forests in their strategy content. The effect would not only help stimulate greater multilateral aid, but raise the profile of forests in national budgets. From observations at FAO COFO, March 2005.

<sup>70</sup> R. Jolly, L. Emmerij, and T.G. Weiss, *The Power of UN Ideas: Lessons from the First 60 Years: A summary of the books and findings from the UN Intellectual History Project*, United Nations Intellectual History Project, Washington, DC, Communications Development Incorporated, 2005, at 19. Despite the perceived limitations of some of these goals, Jolly et al explain the implementation and fulfilment of

Yet, strategies at the organisational level can be effective if targets are clear and can avoid being over politicised.

Whatever the management tool, IOs cannot continue to rely on political events alone to form a strategy and policy.<sup>71</sup> The linearity and inertia generated in such processes leaves inadequate space to consider the range of problems and uncertainties associated with a given issue area. On the other hand, a formalised corporate planning process throughout the UN system could be a risky tool by which to manage uncertainty.<sup>72</sup> The current structures and actors involved in the forest process have adequate space in which to build new strategies, but they must use uncertainty as an opportunity to benefit from emerging issues and the complex environment in which IOs operate.<sup>73</sup>

To help cope with uncertainty in planning, greater reliance on IOs' regional and country-level offices can help in planning efforts. Current levels of inertia in the IOs in this thesis prevent high reliance on regional/country level offices for initiating new programmes and responding to strategic issues. While the Bank is best positioned to increase its reliance on decentralised offices, it will be many years before the FAO, ITTO and UNFF successfully make the transition. The FAO is currently undergoing this transformation, but will not be able to operate at maximum operating capacity if it is subject to financial

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global goals are better than many believe. For instance, they call attention to how a goal adopted in by the World Health Assembly to eradicate smallpox in 10 years was achieved in 11.

<sup>71</sup> Brown and Eisenhardt suggest that management teams are caught in a 'no-sight trap' when they have no vision about their business for the future and react to events without planning and learning for the future. Based on case studies, they also suggest that such reaction to events is stressful, a source of missed opportunities, and a 'stuttering (i.e. start, stop and restart)'. Brown and Eisenhardt (1998), *op cit.*, above at n. 68, at 143 and 146, respectively.

<sup>72</sup> Further empirical studies are needed to assess the viability of such corporate practices. However, a number of UN organizations have undertaken formal planning approaches to strategy, including the IAEA and FAO. Based on the Planning School of strategy, the key stages are set objectives, external audit, internal audit, strategy evaluation, strategy operationalisation, and scheduling the process. However, Sadler notes that this trend receded in the 1980s. Sadler (2003), *op cit.*, above at n. 52, at 16. This may also have limited utility in IOs as well. The JIU has suggested a formal planning cycle to UN system organisations. The adherence to the entire system and the duplication of it at the departmental and corporate levels will have negative effects on the system's ability to respond to complex situations.

<sup>73</sup> Van de Ven et al (1999) propose that the journey must do four things:

'Expand the definition of learning that examines not only how action-outcome relationships develop but also how prerequisite knowledge of alternative actions, outcome preferences, and contextual settings emerge; begin with profound ignorance with respect to what actions people might take initially, what outcomes they desire, and the nature of the institutional context in which they begin to operate; a nonlinear chaotic process facilitates learning by discovery; a convergent process of trial-and-error learning is not feasible until after alternative courses of action, outcome and preferences, and the contextual setting are discovered; transitions from chaotic divergent discovery to more orderly convergent... activities are explained by the fact that innovation units are dissipative structures; and leadership plays a critical function in defining the boundaries of search behaviour as it makes investment decisions to continue the cycle of divergent and convergent innovation development'. Van de Ven et al (1999), *op cit.*, above at n. 16, at 204.



constraints, especially in issue areas such as forests. The ITTO has also begun to make this transition to a limited extent, but there is high resistance from member state to establish other regional offices other than the two that currently exist, due largely to financial considerations. Finally, member state control at the central organisational level in the UNFF is too high, and CLIs will continue to exist as ‘decentralised’ initiatives until a future IAF is designed.

At the present time, however, there is little support for the status quo in any of the organisations. There are problems within each. Nevertheless, forest-related IOs have opportunities to further improve their performance using strategy and policy.

This study has shown how greater strategic change is possible due to evidence of perceived or quantifiable poor performance indicators. The more concrete the information received, the better able organisational actors are to move within their internal and external environments to enact change. At present, IOs are severely constrained by resource availability, organisational structure and routines, which are more likely to lead to incremental rather than transformational change.

Strategy can help overcome such inertia and operational constraints in organisations. However, it was clear that there was little distinction between the application of policy and strategy in the academic and practitioner literature. As seen in the empirical work, there is little distinction and even contradiction in thinking about strategy and policy at the global level. This presents both an opportunity and constraint in IOs. If the definition and use of strategy clarified at the international level, international organisations have the opportunity to increasingly use it as a flexible tool for programme assessment and problem-solving.

Additionally, strategy may provide IOs greater autonomy in making decisions on strategic initiatives. Yet, this should be taken with a note of caution. If actors in powerful governance structures see this as a limitation of their policy-making responsibilities and power, the need for strategy may be obviated or strategic formation confined to processes in organisational governance structures. Nevertheless, this thesis has revealed a number of ways to enact and maximise change efforts. IO and IO actors’ ability to maximise strategic change processes are presented in the next chapter.

## 8.4 CONCLUSIONS

This chapter explained the reasons for the variations of the strategic change processes in this study. Each organisation relied on performance indicators to enact the change process. Where quantitative and qualitative performance indicators were clear, pressure to change increased and punctuated change became more likely. Evidence of poor organisational performance, such as that experienced in the FAO and World Bank, required more radical changes, which were largely determined at the outset of the strategic change process.

The influence of governance structures also increased or decreased the level of inertia in the strategic change process. Where policy routines were established and governance structures tightly controlled, incremental or regressive change resulted. In the case of the ITTO, member states within governance structures did not see a need to change the organisation's strategy a great deal, and this led to a series of incremental strategic changes. In the case of the UNFF, reliance on powerful governance structures masked underlying negative routines in the organisation, which resulted in strategic change initiatives culminating in regressive change outputs. Additionally, as an organisation with limited capabilities and autonomy, the UNFF was not able to respond to threats and gather information about technical information as easily as other forest IOs, making change processes more difficult and constrained by historical routines.

In general, the organisation's structure, performance and governance patterns determined how an organisation can move from an incremental to radical strategic change. To an extent, this is determined by the organisation's use of policy or strategy as a planning tool. Despite the strengths and limitations of both, further testing and evaluation of such tools are necessary to explore which enables IOs to have more appropriate strategic fits with their environments.

Despite the strategic change outputs of the forest organisations in this study, each organisation has yet to assess its 'effectiveness' in the areas of performance and governance, which could better contribute to future strategic change processes. Currently, planning practices are determined by budgeting and corporate strategy practices, which could constrain future programme-level activities. Until these practices are harmonised or severe threats are faced by IOs, organisational performance will continue to be driven by politics and powerful governance structures.

The final chapter explores the theoretical implications of these findings and proposes a model of strategic change in IOs. The model serves as a reference point in helping IO actors to engage more strategically in IO policy and strategy processes. The next chapter also suggests future areas of research on strategic change processes in IOs.

## **CHAPTER NINE: MANAGING INTERNATIONAL ORGANISATIONAL CHANGE**

This thesis explained how and why four forest-related IOs experienced strategic change during May 1994—May 2005. Previous studies of change in IOs analysed decision-making outcomes confined within organisational governance structures. However, the change process requires a more holistic study of IOs that moves beyond a narrow focus of decision-making and into the ‘black box’ of IOs.

This study used a process-based analysis of IOs using system dynamics models to explain change over a relatively long period of time. Feedback mechanisms were the core explanatory concept for the varying types of strategic change. Negative feedback decreased the level of strategic change possible, while positive feedback increased the possibility of change. The net level of feedback determined the organisations’ ability to change. However, this ability was enhanced or constrained by the influence of two key factors: organisational performance and inertia. These two aspects were driven by managerial norms used to determine organisational performance, such as financial indicators and perceptions of effective organisational performance, and established governance structures, which often relied upon routines to make strategic decisions and were based on perceptions of organisational accountability. The strategic change outputs were primarily determined by the measurability and perception of IOs’ need to change and organisational actors’ ability to overcome strong norms in organisational governance structures.

Based on the four case studies of this thesis, it is clear that the application of managerial tools in IOs is on the rise. In this thesis, the overlap and sometimes-confused use of policy and strategy in IOs affected the strategic change outputs. Greater clarity about these concepts and their effectiveness is needed. If such an understanding is acquired, strategy rather than more binding policy documents could be a more appropriately used to manage complex, global issue areas in the future.

The core of this study draws attention to IOs’ ability to manage complex change in highly uncertain environments. The findings of this thesis build the case for future examinations of IOs using organisational theory and system dynamics and to move beyond viewing IOs as institutions. The behaviour of IOs can help researchers

understand how to manage complex social, environment and security problems. It should also offer suggestions on how to improve organisational structures that function poorly or are unable to adapt to change. The literature on organisational behaviour and change management can help researchers undertake future investigations of IO change.

This study comes at a time when the tools to manage the global agenda are becoming increasingly more flexible, where ‘soft law’ is seemingly replacing ‘hard law’ in providing global solutions to problems and where a broader number of stakeholders matter in decision-making outputs. This chapter reinforces the urgent need to look more closely at the complex behaviours of IOs and introduces a general model of strategic change. This model will show how strategic change processes can assist in global problem-solving, bridge the performance and governance gap and facilitate organisational planning techniques despite bureaucratic limitations.

Practitioners are only beginning to recognize the importance of looking at concepts in different disciplines to explain IO behaviour.<sup>1</sup> However, the level and need for change analyses in IOs is urgent. This final chapter proposes a model of change as a starting point for further analyses and concludes by discussing other ways to close the research gap and prepare IOs for the future.

## **9.1 EXPLAINING STRATEGIC CHANGE IN IO SYSTEMS**

Previous studies of IO change analysed institutional decision-making activities and highly established organisational norms, which predict incremental shifts in change outputs. However, as this study has shown, the full scope of IO environments needs to be considered to thoroughly explain how and why strategic change occurs. The range of factors affecting the outputs of the strategic change process are based on the complexities of the issue area and organisational context.

As the empirical work has shown, some organisations were better able to adapt to complexities and respond to threats in their external organisational environment more so than others. Greater IO capabilities often led to less frequent change if performance was

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<sup>1</sup> One promising example is Catherine Weaver’s work on the World Bank, which analyses cultural inertia as a key factor understanding how Bank policies are reformed. C. Weaver (forthcoming) *Global Development and the Plight of Sisyphus: Reforming the World Bank*. Also, C. Weaver and R. Leiteritz, “‘Our Poverty is a World Full of Dreams:’ Reforming the World Bank”, *Global Governance*, 2005, Vol. 11, No. 3, July-September 2005, pp. 369—88.

deemed 'appropriate' or the organisation's ability to enact change was low. The 'right' approach for a change process may not have always been known at its outset, especially if the appropriateness of a strategy or policy is based on the perception of the dominant coalition in IOs.

Drawing from lessons in this thesis, it is clear that the IOs with the greatest organisational capacity and autonomy were able to enact transformational change more comprehensively than those without them. However, undertaking such transformational change does not necessarily mean that an organisation is effective, only that it has a strong ability to respond to its environment in the face of major threats. Such punctuated change is rare, but does occur in organisations, as shown in the case of the World Bank. At present, the varying performance indicators of IOs make it difficult to determine whether IOs are functioning well or poorly in their environments, and whether they should undergo a strategic change process.

Incremental change may be an indicator that the organisation's strategy or policy fits appropriately with its external environment, and thus does not need radical change.<sup>2</sup> On the other hand, incremental change may also be due to the organisation's inability to overcome strong inertial forces. The organisation's ability to identify and respond to such threats and overcome inertial forces is determined by the dominant actors initiating the strategic change process.<sup>3</sup> Where there is no, late or poor problem identification and an inability to break organisational inertia over time, regressive change can result.<sup>4</sup>

Timing is also an important factor in determining the output of a change process. The more political the process, the greater the need to consider the timing of the strategic process. As seen in this study, mandated time-bound processes, in which certain outputs are expected, helps as well as hinders the quality of process and content outputs. Additionally, the timing of stakeholder outreach and communications with strong governance structures can impact the level of strategic change. Earlier participation in

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<sup>2</sup> B. Burnes, *Managing Change: A Strategic Approach to Organisational Dynamics*, Third Edition, London, Prentice Hall, 2000. This was the case of the strategy and policy change processes in the ITTO, although the changes were driven by ITTO member state perceptions that the strategic direction of the organisation did not need to be radically changed.

<sup>3</sup> For instance, organisational staff within the World Bank initiated the Revised Forest Strategy process, but formal mandates from the ITTO were required to initiate its policy and strategy change processes.

<sup>4</sup> This was explained in Chapter 7, where strong organizational politics and routines inhibited the strategic change process, which eventually led to a regressive change output.

the strategic process by a broader range of stakeholders can help enact greater shifts and policy and strategy outputs.

As this study has shown, specific stimuli can contribute to the rate and amount of change possible during the change process. The effect of a stimulus placed on a variable in the organisational change process can have unintended consequences.<sup>5</sup> For instance, new leadership at the start of the change process can help break inertia in the organisation and set the pace for positive rather than negative feedback outputs. Based on such observations, a number of stimuli affected outputs and feedback processes in the case studies of this thesis. A number of common variables or themes were identified in the four case studies as important contributions to the level and type of strategic change output. The model of IO change presented below is merely a starting point in exploring strategic change processes, at present applying best to those IOs in the forest-issue area.

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<sup>5</sup> J. March and H. Simon, with the collaboration of Harold Guetzkow, *Organizations*, Second Edition, Cambridge, MA, Blackwell, 1993.

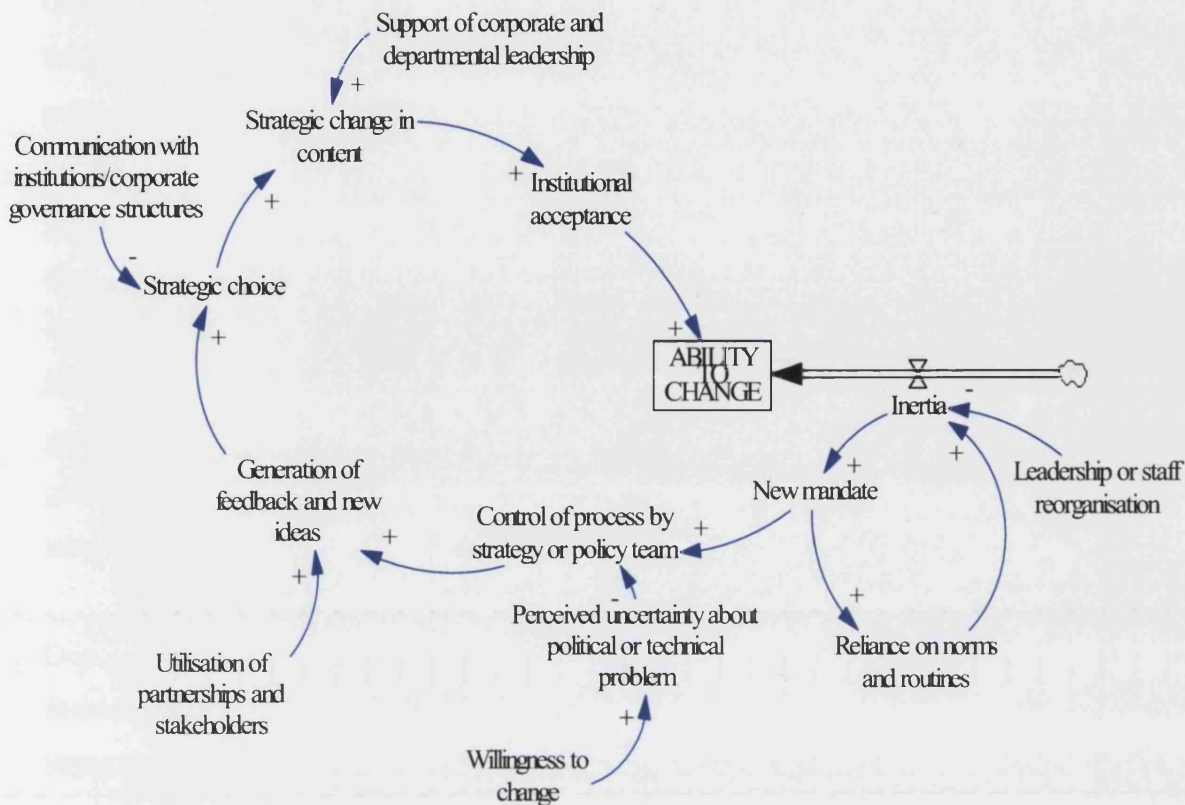


Diagram 9a: General model of change in international organisations (source: the author)

The key part of this problem is clarifying the intent of the strategic change process and the consequences of establishing such a process. Strategic intent occurs prior to the establishment of the strategic change process and is driven by managerial or government perceptions of performance.<sup>6</sup> The intent of the process can be political, behavioural, operational or tactical in nature.

Depending on this intent, the mandate created for a new strategic change process can constrain or expand the possibilities for the strategic change process. Once the mandate is established, the strategy or policy process needs to be controlled by a core team, which is responsible for collecting, analysing and compiling data during the strategic process. This team may also determine the method by which information and data are collected and act as key advocates for the strategy or policy during the formation process.

<sup>6</sup> Strategy research focused on strategic intent and organisational competence in predicting outcomes was popular during the 1980s and 1990s. Now, the more common application of strategic intent is in establishing a company's vision or direction. See G. Hamel and C. K. Prahalad, 'Strategic Intent', *Harvard Business Review*, 1989, May—June, pp. 63—76. For more recent applications, see Burnes (2000), op cit., above at n. 2, and P. Sadler, *Strategic Management*, Second Edition, London, Kogan Page Limited, 2003.



Control over policy or strategy formation can be increased or decreased by two factors: the organisational actors' willingness to change and the level of uncertainty about political or technical problems in question. The greater the willingness to change, the greater the perceived need for internal and external stakeholder consultations. The greater this need, the less the content and process will subsequently be controlled by the core policy team or organisational governance structure. The greater the number of consultations with stakeholders and partners to gather new information, the more the amount of feedback and new ideas. This may occur due to the establishment of new governance structures or the hiring of external consultants. The new information gathered will determine the available and appropriate strategic choices for policy and strategy content.

Depending on the level of strategic choice, the strategy or policy team may draft a formal document or communicate results of a data search to corporate or governance structures. The level of strategic choice will be diminished by such communications, since such institutional structures will limit or focus the strategy content from the data search. If insufficient information is gathered, the team can return to the data-gathering step to conduct further outreach. While communicating with governments or corporate structures may seem to adversely affect the level of strategic choice, it is an important step in gaining support for the overall strategic change process and to the content of the policy or strategy document, leading to its institutional acceptance.

If the strategy or policy is based on an internal exercise, the support of organisational leadership is key to the new document's approval, as such leaders will be the subsequent advocates of the resultant strategy or policy implemented by the organisation. This was illustrated in Chapter Five on the FAO, where managerial and corporate leadership were required in order to continue the strategy process and facilitate its completion.

If the search required a large amount of external stakeholder interaction, leadership support is also necessary, since drastic changes may be needed to the strategy or policy in question, and organisational leaders will need to support and defend such changes in front of the public and IO members within powerful governance structures. This was illustrated in the case of the World Bank, since forest experts were required to develop a compelling case to the Bank's Executive Board for the approval of the new documents. On the other hand, in the case of the ITTO and UNFF, interaction with external

stakeholders was relatively low, and the presence of leadership during strategy and policy processes was also low.

Especially if the level of content change is high, the support of organisational leaders is essential to gain institutional acceptance at key points throughout the strategic change process. This was illustrated in Chapter Four on the World Bank, where corporate leadership support was required to lift the concessional logging ban in the Revised Forest Strategy and Policy. Additionally, a number of iterations of the strategy and policy documents had to be seen by the Executive Board before the documents could be reviewed by the external community and eventually approved and accepted by the organisation.

The institutional acceptance of a strategic change is the final factor that will affect the organisation's or department's ability to change and to what extent it is able to overcome existing inertial forces in the organisation. Without such acceptance, strategic change cannot be successfully decided upon or implemented. The characteristics below further explain how the level of strategic change can increase or decrease in an organisation. Organisational actors' ability to use these key 'entry' points in the strategic process can help strategy teams and stakeholders maximise the effect of the change output. The characteristics are explained below:

**Effects of organisational restructuring:** In the cases examined in this thesis and in most IOs, organisational inertia is high before the strategic change process begins. If the organisation undergoes a restructuring process or departmental reforms, it presents an opportunity to break with previous organisational norms and change programmes and policies. While restructuring creates a temporarily chaotic environment, it can help teams to establish new norms, think creatively and identify strategic priorities outside of bureaucratic culture.<sup>7</sup> As a result, restructuring can help organisational actors overcome inertial forces at the start of the strategic change process.

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<sup>7</sup> Investigations of public organisations are beginning to focus more on culture as an indicator of change. See D. Lewis, 'Bridging the Gap? The parallel universes of the non-profit and the non-governmental organisation research traditions and the changing context of voluntary action', International Working Paper No 1., CVO: LSE, 1998; and R. Leiteritz, 'Explaining Organisational Outcomes: The International Monetary Fund and Capital Account Liberalization', *Journal of International Relations and Development*, 2005, Vol. 8, pp. 1—26.

**Search for new information:** Depending on the nature of the problem, the search for new information may be critical.<sup>8</sup> In certain issue areas, where the issue is well established on the political agenda, new searches may not be needed. However, there are other cases where the issue area is new, previously collected information is not satisfactory to address the problem, or the problem needs to be thought of in new ways. Such cases raise the importance of how new information is sought from within or outside the organisation's boundaries.<sup>9</sup> Information searches can be performed using analytical studies or holding workshops to obtain new information from a variety of stakeholders.<sup>10</sup> As with any research on the question at hand, the particular questions asked and given mandate for the strategic change process will be important in establishing legitimacy of new ideas and change in policy and strategy.

**Structured stakeholder participation:** Organisational governance structures are sometimes responsible for the design and content of strategy and policy documents, and often represent the dominant coalition's preferences for organisational work.<sup>11</sup> In some IOs, other formal, separate governance structures have been established for the participation of non-traditionally powerful stakeholders, such as non-governmental organisations.<sup>12</sup> While traditionally powerful or weak stakeholders may act in

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<sup>8</sup> The perceived level of uncertainty about the problem in question determines this. When uncertainty is high, innovation can also result if certain enabling conditions are present. Van de Ven et al (1999) suggest the following must exist for 'innovative behaviour' to take place: 'slack resources for innovation; moderate environmental uncertainty and mechanisms for focusing attention on changing conditions; frequent communications and use of constructive conflict-resolution methods with people holding dissimilar viewpoints from other functions, customers and research communities; access to innovation role models; moderately low personnel turnover; and psychological contracts that legitimate and solicit spontaneous innovative behaviour'. A. Van de Ven, D.E. Polley, R. Garud, and S. Venkataraman, *The Innovation Journey*. Oxford, Oxford University Press, 1999, at 202.

<sup>9</sup> The infusion of information into organizational space will need to be studied in terms of its physical-type properties to explain how it enters and managed within organisational systems. See M. H. Boisot, *Information Space: A Framework for Learning in Organisations, Institutions and Culture*, London, Routledge, 1995.

<sup>10</sup> Establishing new governance arrangements with stakeholders is one way to bridge the 'governance gap'. Further, it would initially help move beyond incremental adaptation of new ideas in strategy and policy and shape intergovernmental relations in a democratic way. The latter two arguments are suggestions from Tussie and Riggiozzi to help close the governance gap. D. Tussie and M. Riggiozzi, 'Pressing ahead with new procedures for old machinery: Global governance and civil society', in V. Rittberger (ed), *Global Governance and the United Nations System*, Tokyo, United Nations University Press, 2001, at 177. A shortcoming of their argument, however, is that such practices be institutionalized. As we have seen in the empirical work, institutionalisation of certain practices can lead to the increase of routines, thus minimising the impact of new stakeholder input.

<sup>11</sup> As compared to the innovation process, the power and delegation of authority to other external groups may exist when 'the course of action being pursued...is judged successful' (by those in a position of authority), thus increasing external resource controllers' confidence and their willingness to delegate greater control to the entrepreneurial unit. Van de Ven et al (1999), op cit., above at n. 8, at 43.

<sup>12</sup> This would support the view of Tussie and Riggiozzi (2001) that 'the path, quality, and degree of openness...are all 'a product of each organisation's mandates, constituencies, practices, rules and norms'. Tussie and Riggiozzi (2001), op cit., above at n. 10, at 163. However, as this thesis argues with empirical

conjunction with each other during political events, the formal structure of governance structures can have considerable constraints on strategic change processes. Although these governance structures can help focus agendas, strategic change processes should not be confined to them, especially where technical uncertainty is high. Increasing interaction with stakeholders early in the strategic process can increase the level of feedback and legitimacy of the strategic process, and increase the likelihood of transformational change.

**Performing analytical studies:** Depending on the problem, the use of analytical studies can be crucial to the strategic change process. Analytical studies can be essential mechanisms in the search for new information or as an objective way to problem-solve. Analytical studies can help strategy and policy participants better understand the shortfalls of previous strategies and policies. It is also because IOs face a number of ‘wicked’ problems and analytic studies increase knowledge about complex issues.<sup>13</sup>

When these studies are conducted by separate evaluation offices or teams outside of those responsible for strategy formation, the effects can be beneficial in gaining institutional and organisational support for required change. If analytical studies are performed by objective consultants, it is possible that such analytical contributions could make the strategic outputs more critical and objective. However, consultants need to obtain ideas and feedback from powerful organisational actors in order to gain legitimacy for their ideas. In the future, performance criteria and goals could be proposed within such studies.<sup>14</sup>

**Pushing the strategy using a core team:** The formation of strategy and policy requires the sustained effort of a core team. These participants should be committed to the strategy or policy’s acceptance and act as advocates to the document’s contents within

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and theoretical evidence, this is a narrow view of institutional behaviour rather than holistic organizational systems acting in complex environments.

<sup>13</sup> ‘Wicked problems’ are of ‘organised complexity’ and exhibit the following characteristics: interconnectedness with other problems; complicatedness; uncertainty; ambiguity; conflict; and societal constraints. In R. Mason and I. Mitroff, *Challenging Strategic Planning Assumptions: Theory, Cases and Techniques*, New York, John Wiley and Sons, 1981, at 12.

<sup>14</sup> This study has argued for a link between governance and performance in overcoming inertia. These ideas are more than idealistic suggestions. P. Sadler draws attention to the fact that performance indicators have in recent years gone beyond traditional financial measures of performance. He notes ‘that compared with their peers, the most admired companies are more likely to focus on customer and employee based measures of performance’. He also argues that ‘if you manage the key drivers [of operations], the financial results will follow.’ Sadler (2003), op cit., above at n. 6, at 145 and 146, respectively.

and outside the organisation. The revisions to strategy or policy documents need to be undertaken by this core team, to advocate for necessary changes and provide justifications for these changes to other organisational actors. Such a team will bring cohesiveness, institutional memory and sustained commitment to completing the strategic change process.

**Gaining institutional acceptance:** While institutional governance structures are often the very structures that constrain major change using strategy and policy, such documents cannot be approved until they are accepted by the dominant coalition.<sup>15</sup> IOs' 'dominant coalition', composed mostly of powerful member states, need to be persuaded of the necessary strategic change. These actors need to clearly understand why the new strategy or policy will benefit the organisation, department or set of actors and how it will be implemented. Radical or incremental changes will have little hope of succeeding during organisational decision-making events, where decision-making routines can take over the strategic change process, especially if strategic documents have not been thoroughly vetted in organisational governance structures.

**Support from key leaders:** Finally, support from key organisational leaders will facilitate the change process from beginning to end.<sup>16</sup> Leaders at the departmental or corporate level may be a significant driver of a strategic change process. However, the change process cannot succeed exclusively by the promotion of a leader, and must be supported by organisational staff in order to be successfully implemented.<sup>17</sup> If the change process is at the departmental level, the process is more likely to succeed if it has the support of both department and corporate-level leadership.

Thus, the strategic change process itself becomes an essential step in determining the extent of change possible in IOs. By better understanding the process, we can determine

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<sup>15</sup> This is why convergent and divergent behaviour of the strategy and policy process must be managed accordingly. Once the strategy or policy process gains acceptance and approval by powerful governance structures in the IO, such as the Executive Board or formal Committees, 'fact finding' or conduct greater 'divergent' approaches in working with external stakeholders can continue if needed. The convergent / divergent cycle exists where 'divergence involves branching behaviour that explores and expands in different directions', and 'convergent behaviour is an integrating and narrowing process that focuses on testing and exploiting a given direction'. Van de Ven et al (1999), op cit., above at n. 8, at 184—185.

<sup>16</sup> This is similar in the innovation process where 'the institutional leader's role is most critical at the beginning of an innovation to legitimate the venture's initial formation and investment and at the ending implementation period when institutional arrangements need to be established to implement the innovation'. Ibid, at 206.

<sup>17</sup> This is further explained in L. Flejzor (Forthcoming) 'Explaining Punctuated Change in the World Bank', in D. Stone and C. Wright (eds) *Wolfensohn's World*, London, Routledge, forthcoming.

the level of change possible in the organisation. The rate and flow of inertia can be increased or decreased based on the reliance on previous organisational routines and norms or the break with old ones during the strategic process. The resultant level of the organisation's ability to change determines its final type of strategic change.

Of course, there may be operational constraints that prevent actors from seizing key opportunities during the strategic process. The most obvious and constraining are financial resources and knowledge available for use by the strategy team. The less the convening power, desire for new analytical knowledge, and available financial resources to outreach activities, the more constrained the strategic process.

To an extent, strategic change processes help promote the concept of 'global governance' more effectively by stimulating a 'multi-actor complex in which diverse agencies participate in the development of a global public policy,...[and] does not presume that all states or interests have an equal voice in [or influence over] its agenda or programmes'.<sup>18</sup> To be effective, 'strategy must navigate between the constraints set by governance considerations on the legitimacy of organised action, and those set by "transactional styles" available on the capacity for such action'.<sup>19</sup> The problem, however, is that so many studies have been performed on the external environments of the organisation that little is understood about the complex inner context of IO change.

As this study has shown, incremental, transformational, and regressive change can result in IOs. This study clarified these varying possibilities in IOs and established 'points of entry' for affecting greater or lesser change in strategic change processes. Stakeholders and member states alike can use such processes to their advantage, based on their purpose and intent of each process.

To date, however, we think about change in IOs as outputs of events and analyse specific levels of political will to explain IO change. Outputs of change based on events and limited contextual considerations of the issue often have negative effects on strategic

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<sup>18</sup> D. Held, *Global Covenant*, Cambridge, Polity Press, 2004, at 83—4.

<sup>19</sup> Boisot (1995), *op cit.*, above at n. 9, at 286. Transactional styles is the utilization of an 'organisation's growth or an increase in its resource base [that] has the effect of pushing its transaction possibility frontier outward and away from the origin, and increasing the volume of transactions that can be internalised by its chosen governance structure, whatever that might be'. Boisot (1995), *op cit.*, above at n. 9, at 282. He notes that interests must be reconciled by the amount of resources available.

processes.<sup>20</sup> By looking further within organisations, we can find a number of ways to manage change in a variety of politicised global issue areas.

## **9.2 REVITALISING INTERNATIONAL ORGANISATIONS: A NEW RESEARCH AGENDA**

Given the time and money allotted for this research exercise, only one issue area across a small number of organisations could be performed. Further research needs to be conducted on a range of IO topics using the organisational change literature. These include other investigations of individual IO change at all levels, change across other political issue areas in highly contested environments, improvements in processual research and a further shift in the lexicon of reform in IOs to one of change.<sup>21</sup>

Future studies of IOs should explore strategic change processes from the central to the local levels. As Pettigrew notes, the consideration of all levels of strategic change are important, to show how actions are decided and implemented. This shows the full effect of the change process. However, such an approach was not feasible in this study, given the time and resource constraints, as well as the newness of strategy and policy implementation.

Ideally, enough studies of IO change outcomes would be undertaken to compare a range of outputs in the UN system. However, it would not propose grand theories of strategic change, as each organisational situation and issue area will vary. Nevertheless, such studies should help improve the planning and change management process across IOs.

While this study took a qualitative approach to gathering and analysing research data, future methods combining quantitative and qualitative techniques should be sought.<sup>22</sup> This supports recent work by Pettigrew et al (2002), who note the value of exploring

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<sup>20</sup> In practice, researchers suggest that behaviour in organisations based on events are likely to be more reactive and linear, thus less able to react to highly volatile and changing market and external environments. See, for example, K. Eisenhardt and J. Martin, 'Dynamic Capabilities: What are they?' *Strategic Management Journal*, 2000, Vol. 21, pp. 1105—1121.

<sup>21</sup> A starting point for such investigations has been D. Kapur, 'Process of Change in International Organizations', Unpublished paper, 2000, available at <<http://www.wcfia.harvard.edu/faculty/dkapur/>> and Weaver and Leiteritz (2005), op cit., above at n. 1.

<sup>22</sup> Although the author realizes quantitative and qualitative research are sometimes difficult to separate, e.g. though the development of indices, further studies of organisational performance using financial and human resource data as well as questionnaire research could be applied in future process-oriented studies.

processual research combining both techniques.<sup>23</sup> There are clear opportunities to apply both the qualitative and quantitative investigations of strategic change in IOs.

Finally, a number of other outstanding concerns should be the source of future research on IOs. Pettigrew et al (2001) suggest that six interconnected issues remain underdeveloped in organisational change research: '1) the examination of multiple contexts and levels of analysis in studying organisational change; 2) the inclusion of time, history, process, and action; 3) the link between change processes and organisational performance outcomes; 4) the investigation of international and cross-cultural comparisons in research on organisational change; 5) the study of receptivity, customisation, sequencing, pace, and episodic versus continuous change processes; and 6) the partnership between scholars and practitioners in studying organisational change'.<sup>24</sup> While this study has, in one way or another touched upon some of these topics, greater in-depth research on IOs and the wider contexts in which they claim hegemony is required. Such continued research should help enhance stakeholder participation, organisational performance and set the pace for future strategic change initiatives in IOs.

### *Analysing Change in International Organisations*

The purpose of this study was to examine strategic change in four international organisations across one issue area and how and why they varied. The study placed 'strategic change' as the broader rubric under which the managerial tools of policy and strategy were studied, as both were found to have implications for the level of change enacted in each organisation. The study examined how and why such strategic changes occurred and what led to punctuated, incremental and regressive changes in organisations. The core finding was that strategy, more so than policy, can help organisations enact radical change in their internal and external environments, especially when these are clear indications of poor organisational performance.

However, there exists a problem with the application of strategy, its connotations and how it is defined, presented and used by different actors. The literature on strategy is

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<sup>23</sup> A. Pettigrew, H. Thomas and R. Whittington (eds), *The Handbook of Strategy and Management*, London, Sage, 2002.

<sup>24</sup> A. Pettigrew, R. Woodman and K. Cameron, 'Studying Organisational Change and Development: Challenges for Future Research', *Academy of Management Journal*, 2001, Vol. 44, No. 4, pp. 796—713, at 697—698. The author has explored items 1, 2, 3 and 6 in this thesis; however, further exploration of items 4 and 5, especially on individual organisations, is required.



heavily targeted to private sector organisations and application of strategy alone is not appropriate for some IOs. As we begin to manage other global problems in the UN and other IOs, the limits and relevance of such methods must be recognized. A number of managerial practices, including the implementation of a full planning cycle, have become part of a well-designed planning system for many IOs. However, some of these practices may work only at the corporate level. The extent to which such exercises can be applied to all IOs at the departmental level will vary across organisational systems, depending on the size, financial resource availability and human capacity of the organisation.

The applicability of such planning practices has also been outlined. The waning of long-term planning practices and the emergence of short-term planning using strategic change processes have uncovered the importance of teams and networks within IO environments. For instance, reliance on feedback from external organisational stakeholders may be key in determining organisational performance. At present, the bureaucratic behaviour of IOs cannot be completely deconstructed to rely on global public policy networks to solve global problems. IOs must find new, more inclusive ways to interact with local communities while gathering 'real-time' information at the national and central organisational levels.

As this study has shown, strategy, given appropriate circumstances, can help organisations break from previous norms and routines to engage the unengaged, to set new directions for organisational work and to foster greater commitment to new organisational goals and objectives. The further application of strategy as a problem solving and managerial tool will certainly help enact changes in organisational norms and routines in the short-term. Strategy, if largely controlled by organisations rather than strong, normative governance structures, helps reduce uncertainty in political decision-making and increases the level and quality of strategic outcomes, as less-structured strategy-making processes may facilitate decision-making on more binding elements of policy.

A new agenda must be set for improving global change processes to anticipate and adapt to change using global strategies and policies more appropriately. This study set out to explain how and why strategic change processes occur in IOs and offered clear examples at the organisational level as to how to initiate, move forward, and successfully conclude

change processes in different types of organisational contexts. The success of such an agenda for improving change processes is dependent on practitioners and researchers alike and will determine the future effectiveness of IOs.

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