

BUFFERING AND BRIDGING AS ENVIRONMENTAL STRATEGIES OF FIRMS



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Companies are often confronted with important strategic issues, such as environmental concerns. Generally, they react in one of two basic ways: buffering the enterprise or bridging the issue. Insight into the factors determining the choice between those two generic strategies is important for managers. Three recent and mutually related analytical frameworks from corporate communication and management theory are discussed and exemplified by the Shell Brent Spar case. This case shows the development of two generic environmental strategies over time: initial buffering of the firm from external stakeholders, and later a shift towards a bridging strategy. On the basis of our theoretical and empirical analysis, it appears that top management's attitude regarding cooperation with external stakeholders plays a key role in choosing bridging versus buffering strategies. © 1998 John Wiley & Sons, Ltd and ERP Environment.

Bus. Strat. Env., Vol. 7, 24–31 (1998)

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CCC 0964-4733/98/010024-08 \$17.50

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Received 6 February 1997

Revised 28 May 1997

Accepted 5 September 1997

INTRODUCTION

This article focuses on the factors determining the choice between buffering and bridging strategies from a managerial perspective. Buffering strategies are used by management to help seal off the firm from disturbances in the business environment due to, for example, the environmental impacts of a firm's activities. A buffering strategy is aimed at preventing external stakeholders from interfering in internal operations. Buffering strategies amplify the organization's protective boundaries and are aimed at reducing uncertainty (Scott, 1987). Bridging strategies seek to adapt organizational activities in such a way that they conform to the expectations of external stakeholders regarding, for instance, environmental aspects of a firm's activities. According to Scott (1987, p. 185): 'Bridging strategies are oriented towards enhancing the security of the organization in relation to its environment. Safety, survival and an improved bargaining position are the prizes that motivate bridge building. . . .'

This article first discusses three recently published, and mutually related analytical frameworks, with regard to bridging and buffering. Particular attention is paid to the key propositions of these frameworks. Next, these propositions are exemplified by the Brent Spar case, dealing with the highly controversial proposal of Shell UK,



part of the Royal Dutch/Shell Group, to sink an oil storage and loading station into the Atlantic Ocean. The case description ends in March 1996 and is based on publicly available data. This case is especially suited to exemplify how analytical frameworks can explain certain decisions made by managers regarding environmental issues. In conclusion we show that such an analysis can help both managers and researchers to gain more insight into the factors that may determine buffering and bridging as two generic environmental strategies.

THREE RECENT ANALYTICAL FRAMEWORKS DEALING WITH BUFFERING AND BRIDGING STRATEGIES

Increasingly, companies sell not only products or services, but the ways in which they are produced. This trend is especially applicable to industrial enterprises taking observable risks with their production processes. Companies can handle this problem in one of two basic ways (Scott, 1987). In bridging, the company creates relationships with the external stakeholders on which it is dependent. In buffering, it tries to keep the external stakeholders at a distance, using buffering techniques (Meznar and Nigh, 1995). Between buffering and bridging as generic strategies there are different variants, such as mixed strategies which indicate the extent to which companies are prepared either to bridge or buffer in relation to these stakeholders. Schot (1992) discerned five different types of strategy: dependent, defensive, offensive, innovative and niche. Buffering strategies are related to a defensive strategy in which 'Solutions are sought mainly in technology and not in organisation' (Schot, 1992, p. 42). Bridging strategies could be related to an innovative strategy (Schot, 1992, p. 43) in which the key is '... creating organisational conditions for synergy in the field of the environment between all actors in the strategic network both inside and outside the company ...'. As noted by Schot (1992), various elements of these five strategies can be observed in combination. Bridging and buffering strategies are not mutually exclusive. This paper, however, will focus on the two generic strategies and not on mixed strategies.

Corporate Communication Styles

Companies use a continuum of communication styles. At one extreme is corporate silence (van

Riel, 1994) which is the most passive communication strategy a company can use. More active styles use the press agency approach (this term refers to a one-way communication style that informs but is primarily aimed at convincing others of being right), to increasingly open communication – such as a two-way asymmetrical model or a two-way symmetrical model of corporate communication (Grunig and Hunt, 1984; Grunig, 1992). These communication styles differ due to the divergent perceptions of managers regarding whether an organization must negotiate and communicate with external stakeholders, and is dependent on these stakeholders to obtain and keep access to the resources which are necessary in its primary process. According to Grunig (1992, p. 285–325) three factors positively determine an organization's tendency to follow a bridging strategy:

- developments in the business environment that are perceived as threatening;
- communication managers have a strong voice within a firm;
- the organization's culture is characterized by participative decision making.

Bridging and Buffering

To the extent a company considers itself dependent on external stakeholders (Matten, 1995), who are able to deny or grant access to the resources the company needs (Pfeffer and Salancik, 1978), it employs a strategy which focuses more on bridging than on buffering. Preferences for bridging or buffering seem to depend largely on three organizational characteristics, labelled as determinants in the theoretical and empirical research by Meznar and Nigh (1995, p. 990–991):

- The single most important determinant in explaining a firm's buffering behaviour is its size.
- The importance of the resources controlled by a firm positively influence its propensity to buffer.
- A collaborative, pioneering attitude of a firm's top management is the most important determinant of a firm's bridging behaviour.

The first determinant is the size of the organisation, measured on the basis of balance sheet total and number of employees. This determinant seems, quantitatively, to be the most important determinant in Meznar and Nigh's research for explaining the choice of a buffering strategy. The



second determinant is the importance of the resources controlled by firms. If a firm provides a vital good that cannot easily be replaced, it is more likely to buffer itself.

The most important determinant regarding the choice of a bridging strategy appears to be the positive attitude by top management with respect to cooperation with external stakeholders. Discussing the statistically supported empirical findings of their analytical framework, Mezner and Nigh (1995, p. 991) conclude: 'A collaborative pioneering philosophy on the part of a firm's top management was the strongest predictor of bridging strategies.' Of these three determinants, the attitude of top management towards cooperation with external stakeholders is the only way in which management itself is able to have an influence. However, before management attempts a strategy of bridging, it must recognize the fundamental differences between its own insider (or management) perspective and the outsider (or external) stakeholder perspective.

Insider Versus Outsider View

There often appears to be a gap between the perceptions of managers and those of external stakeholders who follow the company movements critically (Matten, 1995). Crucial to understanding this gap is the manager's apparent inability to find adequate ways in explaining to external stakeholders why some strategic issues, based on a technical justification, will be handled or have been handled in a certain way. Management of strategic issues becomes effective only when managers realize that external stakeholders do not always have the knowledge, or the willingness to be open to objective consideration of the advantages, disadvantages and risks of decision needed to be taken by a company (Adams, 1992). Dunbar and Ahlstrom's (1995, p. 173) distinction between insider and outsider perspectives is helpful in understanding the above-mentioned gap: insiders are the members of an organization, and everybody else is an outsider.

Insider views tend to be pragmatic and to reflect the established ways of doing things by the organization. Outsider perspectives are less limited, and will query whether the outputs of the target organization are really wanted and, if not, how and from whom can the required outputs be obtained. Based on the alternative perspectives of insiders and outsiders, Dunbar and Ahlstrom (1995, p. 174–178) developed a number of propositions:

1. Relative to outsiders, insiders have less appreciation of the broader range of expectations that outsiders have for their organization and its outputs. Outsiders socially construct shared views of how to assess and compare target organization outputs based on universal criteria. Relative to insiders, outsiders have less appreciation of the process details that insiders must manage in order to deliver the outputs that outsiders require.
2. Commitments to insiders' views at the exclusion of outsiders' views are associated with (a) assertions of unique insider knowledge of practice that outsiders do not appreciate and (b) denials that such knowledge and contributions can adequately be assessed in terms of universal effectiveness, efficiency and fairness measures.
3. Commitments to outsiders' views at the exclusion of insider's views are associated with (a) assertions of the need to apply universal criteria of effectiveness, efficiency, and fairness with which to evaluate and make resource allocations, and (b) denials that a focus on local contexts is appropriate.
4. Competing insiders and outsiders support their claims by highlighting qualifications and the effectiveness of their approaches and by denying those advocated by the other side.
5. Competing insiders and outsiders look for support from neutral outsiders and emphasize shared concerns. Issues subject to competition are further fragmented. Actions on the original issues become increasingly more difficult to take.

These propositions suggest the predicted differences in approaches between an insider and an outsider perspectives. Managerial understanding of how to perceive and treat these differences is of great importance for the well-considered choice of bridging or buffering strategies.

Of particular interest are the factors that stipulate the ways in which top management is open to cooperation with external stakeholders. For cooperation to occur, however, top management must not try to bridge the difference between its own perspective and the outsiders' perspective through a competitive power struggle. Dunbar and Ahlstrom (1995) suggest top management should avoid further escalation and the participation of neutral third parties. They recommend the use of a pro-active approach of communication to outsiders, so that insiders are better able to understand the views of outsiders. Furthermore,



they indicate (1995, p. 188) it is necessary for managers to 'help design evaluation criteria that will enable outsiders to make assessments that are fair and just to all producers while ensuring outsiders also get the best available outputs'.

BRENT SPAR CASE: FACTS

Company Size and Structure

The Royal Dutch/Shell Group is one of the largest companies in the world, both in terms of market volume and profits. In the Global 1000 ranking (*Business Week*, July 8, 1996) the company is number two in market volume and number one in profits. Despite its high profits in recent years, Shell has recently implemented a major restructuring process, which led to important personnel reductions at its operating companies. During this process the organization and coordination structure within the group remained unchanged. However, in March 1995 the CEO of the Dutch parent company announced that the Group wished to drastically change its organizational structure. The old matrix structure, with regions, sectors and functional responsibilities, as well as coordinating tasks by service rendering companies, would disappear. The proposed new structure consisted of four separate business organizations, each led by a business committee with world-wide responsibility. A newly created strategy and business services unit, would control strategy, finance, personnel and public affairs activities at the group level. This unit renders services to business committees and operating companies. The public affairs activities would be more centralized after these changes. By abolishing its complicated matrix structure, Shell hopes to make its top-level decision making more simplified and streamlined. The operating companies, however, remain the principal entities through which the group's businesses are conducted.

Research into Brent Spar Removal

When in 1991 the oil storage and loading station Brent Spar was decommissioned by Shell Expro (a joint venture of Shell and Exxon), an extensive investigation was initiated in order to find alternative solutions for removal. In 1993 and 1994 several salvage companies, engineering firms and institutes delivered over 30 reports, regarding this project. The final conclusion was clear: after cleaning and removal of as much of the waste

and loose materials as possible, sinking the Brent Spar in the ocean was the safest, cheapest, and least environmentally damaging method of removal. Several Scottish institutions, including the Scottish Natural Heritage and the Scottish Association for Marine Science, agreed to sink the construction in the North Fenni Ridge. Following discussions with British authorities and governments of all countries bordering the North Sea and the East Atlantic Ocean, no objections were submitted.

Greenpeace Versus Shell

However, after lengthy internal discussions, the environmental activist's organization Greenpeace decided to attack Shell's decision to sink the Brent Spar. Following the 'save our seas' action, Greenpeace published the environmental dangers posed by Brent Spar. According to Greenpeace, Brent Spar contained tons of oil sediment and tons of low-level radioactive deposits, and it asserted that this mixture of poisonous, nondegradable chemicals and heavy metals would be a serious threat to the sea environment. Furthermore, Greenpeace suggested sinking the Brent Spar into the ocean would establish a precedent for the other 416 fixed oil platforms in the North Sea, and that the permission by the British government to sink the Brent Spar in the sea had been given on the basis of limited and one-sided information.

Greenpeace's thesis, that dumping the Brent Spar would establish a precedent, was rejected by Shell. The granted permit clearly indicated that in case of the Brent Spar sinking was the best option, but that all other cases needed to be judged separately. According to Shell, the Brent Spar was difficult to dismantle. To transport it, Shell would have to turn the installation horizontally, and there was a substantial risk the structure would break when turned, creating risks for the safety of people and environment. In contrast, it appeared the environmental effects of sinking the construction in 2 km deep water did little harm. There is hardly any sea life at this depth and, according to Shell, any leaks of oily residue would be highly diluted. It contended that at least 90% of the sediment was sand and only a small part of the sediment was heavy, stable oil residue: a composition comparable to road asphalt. Greenpeace did not believe Shell's statements and decided to start actions aimed at altering Shell's decision. Several environmental interest groups called upon consumers to boycott Shell's products. In some countries, such as Germany, the consumer



boycott was successful, and emotional reactions in many European countries to Shell's decision, especially in Germany and Denmark, acquired general support. Rational arguments for sinking the Brent Spar into the ocean no longer mattered. The Brent Spar became a symbol of unacceptable corporate behaviour towards the environment.

In June 1995 the campaign against Shell's Brent Spar plan escalated, mostly due to the Dutch Minister for Economic Affairs and a number of German and Danish prominent politicians who publicly admitted they were avoiding Shell stations. The German chancellor Helmut Kohl criticized Shell and threatened to bring the Brent Spar issue before a G7 conference. On 16 June 1995, Prime Minister John Major defended Shell to Helmut Kohl and G7 (*Financial Times*, 21 June 1995). When Greenpeace decided to publish an advertisement with the slogan 'the sea is not a garbage can', Shell chose an advocacy advertisement, but again did so with an insiders' view. It placed a full-page advertisement in all main Dutch newspapers, but this effort had little success in changing the views of Dutch citizens. About 80% of those questioned in The Netherlands said that the advertisement did not influence their opinion (*Shell Post*, 21 Aug 1995). A substantial decrease of sales in Germany forced the company to place an advertisement in German papers with the heading 'Wir werden uns ändern' (We will change). Shell's search for public legitimacy had clearly failed. An interesting analysis of the relationship between environmental information provided by business and building trust is given by Eden (1993).

Decision Not to Sink

Shell's top management was confronted with intensified internal controversies. In line with company policy, Shell UK was responsible for the decisions about Brent Spar. Shell's top managers of national organizations outside Great Britain started to be openly concerned about the sinking of the Brent Spar. These internal controversies made it extremely difficult for the top management of the Group and Shell UK to justify the original plan to the public. These controversies between Shell UK on the one hand and the German, Dutch and Scandinavian national organizations on the other hand, increased the pressure within Shell against sinking the Brent Spar. On 20 June 1995, Shell's top management decided not to sink the Brent Spar. Following this decision Shell UK asked a well known verification organization

to conduct independent research into the contents of the former oil storage and loading station. This research indicated that the Brent Spar possessed less poisonous material than suggested by Greenpeace. The environmental organization was prepared to admit this and to offer its public apologies to Shell early in September 1995. In early 1996 the chairman of Shell Nederland BV stated that action groups should produce their own code of conduct, so that it would be easier for outsiders to control the information they spread, its correctness and truthfulness. (NRC Handelsblad, 1996).

COMPARISON OF BRENT SPAR WITH ANALYTICAL FRAMEWORKS

The question as to which factors can explain why Shell's management emphasized a buffering strategy in the Brent Spar case is central to this section. From the case description it is tentatively inferred that Shell used a buffering strategy during the period described above (ending in March 1996). However, two comments are appropriate regarding this conclusion. First, a more detailed description of the events during that period could give a finer grained picture, in which tendencies to bridging interchange with those of buffering. Second, although Shell is described above from a single (insider) perspective, it appears that not all Shell operating companies in different countries were in agreement, and different opinions were communicated to their respective business environments with regard to the desirability of bridging versus buffering.

The first proposition by Grunig (1992) is illustrated by this case. Only at the end of the period discussed did the business environment become threatening to Shell's management and, according to the reactions from the managers of the various European operating companies, was perceived as such. With regard to the role of the communication managers having a strong position within a company – Grunig's second proposition – it can be concluded from the recent reorganization that the new structure contributed to an increase of influence of public affairs specialists in decision making, such as Brent Spar. The third proposition is not taken further here, due to insufficient data being available.

Application of the three determinants of Mezner and Nigh (1995) to the Brent Spar case leads to the following findings. The first



determinant, i.e. size, positively relates the large size of a company to a buffering strategy. This appears to describe Shell's actions, as the company is one of the largest in the world. Large international vertically integrated oil companies such as Shell, play a key role in the world energy supply. The importance of the resources controlled by Shell positively influence the propensity to buffer. Therefore, the second determinant (resource importance) seems to create a propensity to a buffering strategy. The willingness of top management to cooperate with external stakeholders (the third determinant) in this case seems to have been rather low, as no inclination to a bridging strategy appeared during the period described.

Further insight into Meznar and Nigh's final determinant is provided by the five propositions of Dunbar and Ahlstrom (1995). The first two propositions are corroborated by the facts of the case study. Shell paid more attention to the processes concentrating on the sinking of the Brent Spar. Greenpeace, however, stuck to the opinion that 'the sea is not a garbage can'. Shell showed less commitment to this outsider's view, and emphasized its company-specific knowledge and experience with oil platforms and the importance of opinions from external specialists in this field. With their approaches, Shell and Greenpeace illustrate the third and fourth propositions. It also appears from the case description that Shell's management became involved in a struggle between Shell's insider perspective and Greenpeace's outsider perspective, whereby both parties, conforming to proposition 5, used third parties to support their perspective. As argued by Dunbar and Ahlstrom, this is due to neglect of the one-sidedness of both the insider and outsider perspectives. Based on the analysis of Meznar and Nigh, this means Shell's top management was more inclined to use a buffering strategy with respect to this issue. As discussed earlier, this tendency is enhanced by the influence of the second determinant (the importance of the product) and the first determinant (the size of the company involved).

Managerial Clues

The above-mentioned results suggest the following question. Assuming that Shell's management had initially wished to adopt a bridging strategy, what managerial clues can be derived from this case study as to how to effect such a strategy?

The analysis suggests top management itself plays a key role. Top management needs to acknowledge that the first two of Meznar and Nigh's (1995) determinants, i.e. the size of the company and resource importance, influence an organization towards using a buffering strategy. On the basis of the analysis, this tendency towards buffering can be changed only by the top management's openness to cooperation with external stakeholders. The acknowledgement of this key role by top management is a necessary condition for bridging the inherent difference between insider and outsider perspectives.

CONCLUSION AND RECOMMENDATION FOR FURTHER RESEARCH

This article has investigated analytical frameworks dealing with buffering and bridging as two generic environmental strategies. From a management perspective, these frameworks suggest top management's attitude regarding cooperation with external stakeholders is of key importance. A prerequisite for such an attitude, however, is the understanding of fundamental differences between insider (i.e. management) and outsider (i.e. external stakeholder) perspectives. The juxtaposition of theory with practice resulted in an increased insight into the explanation of Shell's buffering strategy in this case. Two important company-specific determinants, namely the importance of the product and the size of the company, influence the company's tendency to adopt such a strategy. On the basis of this analysis, it is plausible that the key for the choice of a bridging strategy, as opposed to the discussed buffering strategy in the Brent Spar case, is in the hands of top management.

To substantiate this finding, there are three observations regarding a company's move towards a bridging strategy. First is the previously mentioned statement from Shell's top management that environmental interest groups should formulate a code of conduct in actions against third parties. An insider (Shell) points to the foundations of an outsider's (in particular Greenpeace's) existence, namely the necessity of handling general valid norms of what is permitted by judging company decisions.

Second, top management (Shell, 1995) refer to the rejection of the proposed deep-water disposal of the Brent Spar and conclude:



We learned in 1995 we needed to have greater external focus if we were to create a better acceptance of the Group's business among varied audiences. Group companies must consult, inform and communicate better with the public. In such a dialogue they will need to point out the complexity of the issues and always balance human, environmental and economic considerations.

Finally, in October 1996 the chairman of the Committee of Managing Directors of the Royal Dutch/Shell Group again reflects in public on the Brent Spar experience (Herkströter, 1996, p. 3):

To gain a greater understanding of the changes, we have found that we have to communicate more, both internally and externally.... We were, perhaps, excessively focused on internal matters, and we failed to fully understand the need to provide information to the general public.

On the basis of the analysis presented here, these observations can be considered as indicating the start of a bridging strategy being initiated by Shell's top management. The importance of top management as a key factor determining the choice between bridging versus buffering as environmental strategies of firms is once more highlighted.

In conclusion, top management seem to be a key factor in determining the choice between bridging or buffering environmental strategies of firms. However, further research is needed to gain more insight into this factor. In this connection, it seems appropriate to investigate the influence of the type of corporate-level strategy in use (Porter, 1987; Goold *et al.*, 1994; Van den Bosch and De Man, 1997), and the organizational structure in relation to the process of strategy formation and decision making in large companies (Mintzberg, 1994). This would generate greater insight into the influence of organizational and management processes on bridging and buffering. Follow-up research along these lines could show that although top management is and remains responsible for the choice between buffering and bridging strategies, existing organizational and management processes can make such choices difficult to implement in the short term. Changing these processes may be a prerequisite for bridging, as a sustainable environmental strategy for firms.

ACKNOWLEDGEMENTS

We are grateful to Dr Peter Groenewegen and two anonymous referees for useful comments.

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