



## Making the Case for the Win-Win: Investing in Healthy Businesses

Last summer, David Elstone, RPF, TLA Executive Director, visited Port McNeill and the north Island to engage with TLA members. He invited me for breakfast and we talked about the challenges facing forestry today. As a new pickup drove by, we overheard guys at the table beside us remark, “*Must be nice to be a rich contractor, being able to buy a new work truck like that.*” David and I chuckled. Here was a challenge we knew well. This ingrained resentment of business reinvestment and success.

Don’t get me wrong. I’m as competitive as the next person and I respect how this competitiveness drives our industry. It’s the very spirit that fueled forestry’s pioneers and ignites our renowned “can do” attitude. But I believe we undermine our collective future when we define our wins by others’ losses.

We are all part of an interconnected supply chain that is far more complex and fragile than we realize. As such, I believe forest industry wins are better defined by successful people working for sustainable businesses in healthy communities. Unfortunately, there is disagreement, and even resentment within the forest industry, about what this success, sustainability and health look like.

In January 2016, at the TLA conference in Vancouver, Mike Ward, General Manager for Western Forest Products, participated in a panel discussion about contractor sustainability. He described six key characteristics that Western Forest Products sought when selecting contractors and they resonated with me:

1. Vibrant safety culture
2. Strong management team
3. Healthy balance sheet
4. Client diversity
5. Viable succession plan
6. Organizational resiliency

These sustainable business characteristics are not easy to achieve. They are the direct result of business owners who

manage their risk with intention and purposefully reinvest their profits back into their businesses.

### Building Partnerships

When my partner and I started Strategic Natural Resource Consultants 15 years ago, we were among the first round of licensee layoffs due to restructuring. Jobless and still new to our careers, we decided that we wanted to build the company we’d want to work for. We wanted to create a work environment where our crews were proud to work with Strategic every day, and our communities would embrace us for our contributions.

To achieve this, we invest heavily in our people and the tools they need to be world-class: a strong culture of teamwork and performance, continuous training and development, professional office spaces, leading-edge technology, career diversity, safe and reliable equipment, competitive compensation and benefits, and a strong community connection. As a result, we have smart, driven people doing great work for our clients who, in turn, treat us like partners in their success.

While there are many people who appreciate what our company does, Strategic has been criticized for having “too much overhead, too many iPads, too nice trucks and too nice offices”. Allegedly, we also “blow too much money on training our people” and my volunteer roles with ABCFP, CIF and CFBC are “wasteful”. I realize it’s a matter of perspective, but I disagree.

These decisions do impact our bottom line. Fortunately for us, our shareholders—my business partner and I—support these decisions because we are in it for the long haul. The impact on the bottom line is negative in the short-term... but positive in the longer term. We believe that by playing the long game, it will ensure:

- employees have long-term and rewarding careers,

- our clients have continuous improvement in timing, quality, cost and risk mitigation, and
- our communities have businesses growing and supporting each other.

But we know we can’t do it alone. Our business is predicated on growing a win-win relationship with our clients at all times.

### Building Win-Win Relationships

In a win-win strategy both companies agree that compromise and cooperation must be more important than competition. As a result, significant energy is invested in developing creative, integrative solutions to complex issues. Culturally, this philosophy is most often seen in countries such as Sweden, Japan and Canada. It is also known as “shared value.”

Conversely, a win-lose strategy focuses on achieving immediate goals with little regard for building future relationships. Little energy is needed for resolving these types of conflicts because creative solutions are rarely considered. Culturally, this philosophy is common in business practices in countries such as China, Russia and Middle Eastern countries.

In a global economy, it’s normal to see other cultural business practices influence how we manage our own businesses. Although Canada is listed as an adopter of the win-win strategy, I believe our industry tends to get caught up in the win-lose mindset as evidenced by the new truck comment David and I overheard.

But things are evolving in forestry. BC Timber Sales, through industry consultation with its contract advisory committee (BCAC), is piloting a procurement process with reforestation contractors that recognizes the value of experienced, successful, sustainable companies and allows this to be priced into bid submissions. Some business areas also use procurement methods

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experience on the BC coast. The size of these contractors is only comparable to that seen in Ontario. As a result, for those looking to exit, free capital is hard to find and for those who have it, investing in logging, given the pitiful profit expectations, is virtually impossible. This hamstring coastal contractor succession and puts the entire industry at risk.

The unique skill sets needed to work on the coast are also preventing any meaningful recruitment from other areas of Canada. As a result, even worker succession is a problem.

The bottom line is that “being a logging contractor anywhere in Canada is not a good business model today,” laments Jamieson. “That said, sawmilling is not particularly great either, but in BC (like many places in Canada), contractors are on the short end of the stick because they have no leverage against large forest managers. And with no motivation to improve efficiency for fear of counterbalancing rate reductions, there has been “a slow death of innovation” in the sector across Canada.

This sentiment was echoed often in the comments section of the survey, where contractors across the BC coast echoed these thoughts on mill/logger relations.

*“The adversarial relationship between contractors and licensees is a major distraction for both parties. It is preventing both from collectively working on improving efficiencies in the supply chain. Failure to change this will continue the trend of the coastal forest industry becoming increasingly uncompetitive in the global market.”*

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such as requests for proposal that allow for the consideration of variables that ultimately drive sustainable success and win-win opportunities. In these examples, there is acknowledgement that cheapest is not necessarily the best value nor the best path to achieving long-term success. **Yes, cost matters...but value matters more.**

When contractors are derided or punished for having invested in their people, equipment and facilities rather than objectively evaluated for their strengths in important areas like Mike Ward described, we do our entire industry a disservice and set it on a self-destructive path.

In my experience, it’s those contractors (and licensees) who live in our rural communities, invest in their people and businesses, and create positive relationships far more robust than just rate schedules and contracts, who have shown they are in it for the long term. They are the ones who will work with licensees, government and First Nations to create an industry that is more about transformation than transaction.

We shouldn’t resent companies who invest in their people, their equipment, their businesses and their communities—we should champion them. Like

many of you, I believe that the future of BC forestry is worth investing in and I’m in it for the long run.▲

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