Putting social license to operate on the map: A social, actuarial and political risk and licensing model (SAP Model)

Sara Bicea, Martin Bruecknerb,⁎, Christof Pforrc

a Melbourne School of Government, The University of Melbourne, Parkville, Victoria 3010, Australia
b Centre for Responsible Citizenship and Sustainability School of Business and Governance, Murdoch University, 90 South Street, Murdoch 6150, Australia
c School of Marketing, Curtin University, GPO Box U1987U, Perth 6845, Australia

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ABSTRACT

The social license to operate, as promoted within the fields of corporate social responsibility and impact assessment studies, has entered the business mainstream, especially in the mining and extractives sector. While it is invoked increasingly as a means of claiming legitimacy, the concept remains conflicted, implying that the social license terrain may be more complex and broader than conventional conceptualizations suggest.

In this paper the authors draw attention to a suite of licenses and related risks that shape the issues surrounding mining and extractives companies’ quest for a social license to operate. These are captured in a holistic license and risk model, the social, actuarial and political risk and licensing model (SAP Model). Drawing on research from corporate social responsibility and impact assessment studies, the paper introduces the SAP Model and suggests how it enables improved exploration of the meaning, intention and probable implications of the various licenses and associated risks facing the mining and extractives sector. In so doing, it contributes a more contextualized understanding of social license to operate, especially for the corporate social responsibility and impact assessment fields of research.

1. Introduction

Recent decades saw the academic fields of corporate social responsibility (CSR) research and impact assessment (IA) studies gain prominence. Both fields have a developing focus on the social license to operate (SLO) concept. Within the CSR realm, the so-called business case for doing business the right way has received considerable attention but remains elusive (Crane and Matten, 2007). Research suggests that CSR’s business value may lie in its ability to improve firm performance via reputational gains and better competitive advantage (Porter and Kramer, 2011). Although a universal definition of CSR remains debatable, it is generally agreed that ‘CSR reflects the social imperatives and social consequences of business success’ (Matten and Moon, 2008: 405). This close linkage to business success has arguably been instrumental in attracting business to adopt and institutionalize CSR, especially among multinational corporations (Bondy et al., 2012).

Companies in the global mining and extractives (M&E) sector—where social and environmental impacts are common and substantial—have been particularly responsive to the emerging CSR agenda. Research shows that they are alive to the increasing cost of paying insufficient attention to what were traditionally seen to be non-core areas of business (Davis and Franks, 2014). The perceived role of a social license in protecting M&E companies against conflict-related costs partly explains its popular uptake in the sector (Owen and Kemp, 2013; Prno, 2013). For example, recent M&E-related case studies from around the world demonstrate that SLO is seen as a means of supporting multi-stakeholder engagement in China (Huang et al., 2017), an important component in the debate about deep sea mining off the coast of Papua New Guinea (Filer and Gabriel, 2017) and even as a means to understanding historical opposition to mining projects in Finnish Lapland (Lesser et al., 2016).

Attention to SLO in the global M&E sector reflects emerging situations in a number of impactful industries, such as forestry, agriculture, hazardous waste transport, fishing and wind farms (Lacey et al., 2016, 2014; Hall et al., 2015; Hall, 2014; Prno and Slocombe, 2014). While this paper uses case examples from M&E projects, it is likely that the discussion and ideas contained within it will prove relevant to a variety of industries in which firms are seeking to perform beyond compliance and respond to stakeholder concerns (Gunningham et al., 2004).

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Much of today’s M&E industry is highly, formally regulated and governed by voluntary codes, as well as corporate responsibility commitments, although considerable work remains to be done in less developed countries. These structures include government regulations (e.g., environmental impact assessment (EIA) requirements), industry-based initiatives (e.g., International Council on Mining and Metals Principles for Sustainable Development) and intergovernmental agency commitments (e.g., United Nations Global Compact). M&E firms are progressively expected to meet not only mandated regulatory requirements but also to demonstrate responsible behavior towards the communities in which they operate (Dashwood, 2012). Governments’ expectations also stretch beyond regulatory compliance and include concern for companies’ contributions to local and national economies and communities.

For many years, these expectations and related activities have been captured under the banner of CSR, sustainable development or similar agendas. Lately, however, the SLO concept has been gaining prominence (Thomson and Boutilier, 2011) and taken a steadily important position in M&E companies’ strategies and in communities’ relationships with local operators. While definitions vary, a SLO is generally understood to be: “the ongoing acceptance and approval of a [project] by local community members and other stakeholders that can affect its profitability” (Moffat and Zhang, 2014: 61). Requirements for such a license run the gamut from worker safety to cultural sensitivity, and the degree of social license granted by a community may range from withheld/withdrawn through to assimilation of a firm within the community fabric (Thomson and Boutilier, 2011). Communities are also using the term, largely as a means of resistance to unwanted M&E operations in their neighborhoods (Bice, 2014) or as a form of negative governance (Owen and Kemp, 2013).

While both CSR and SLO are described as concepts with staying power and significant potential to influence corporate-community relations and activities (Bice and Moffat, 2014; Prno and Slocombe, 2012), they have also been subject to considerable criticism. For example, the social license rhetoric is seen by some as “an industry response to opposition and a mechanism to ensure the viability of the sector” (Owen and Kemp, 2013: 29). Similarly, within the CSR space the dominant business case logic is regarded as limited to firms merely demonstrating their economic contribution (i.e., employment, taxes, royalties) to stakeholders, treating as implied their social license on the basis of the monetary benefits their operations promise to generate (Brueckner et al., 2014). The overly optimistic assumption of the frictionless convergence of commercial and social interests not only strikes as ideological (Toft, 2015) and reminiscent of the Friedmanite position on CSR (Friedman, 1970), it also risks reducing the SLO and CSR agendas to firms’ economic legitimacy. This positioning fails to address the more deep-seated and potentially conflicted issues surrounding business-community relations (Brueckner and Mamun, 2010).

In Australia, the focal point of this paper, cases of conflict between M&E companies and their host communities remain common (Brueckner and Ross, 2010; Pini et al., 2010). Despite improved corporate attention to CSR (Franks et al., 2009) and widespread espousal of the social license in Australia (Bice, 2014), companies’ social legitimacy (or that of their operations) continues to be questioned by local communities even where projects and industries garner political support and regulatory approval. Thus, ongoing community opposition attests to a conflicted licensing terrain and raises new questions about the nature of the social license concept and its ability to capture the variety of risks and pressures exerted on M&E firms, affected communities and governments. Australia’s long-term economic reliance on the M&E industry, its strong regulatory environment and complex political context—in which State and Commonwealth governments jostle for resource control—make it a rich case for exploration of the contemporary risk and licensing terrain.

Against this background, the argument made here is that a broader conceptualization of the risk and licensing terrain is needed to fully apprehend the nature and dynamics of contemporary corporate-community-government relations, especially relative to SLO. It is suggested that corporations need to operate beyond compliance, meeting the requirements of actuarial (regulated) licenses, stakeholder expectations (social license to operate) and government agendas (political license to operate). To this end, the paper introduces the SAP Model where social, actuarial and political licenses are understood within a dynamic, comprehensive risk framework (adopted from Haines, 2011) as a means of conceptualizing the new, broader licensing landscape facing the sector. This model facilitates exploration of key issues not just through the corporate lens but also through that of major stakeholders, contributing to scholarly research on SLO and CSR through its exploration of the concepts’ power dimensions and politicality and further developing theorizations of dynamic risks, especially social risk.

The SAP Model opens the potential for new analyses of SLO that would allow the license to be better understood within context and in relation to its dynamic interplay, not only with stakeholder relationships or social capital, but with the other main licenses affecting a project’s status. Such analyses could contribute to the more rigorous interrogations of SLO certain scholars argue are necessary (Owen, 2016). The SAP Model also presents evaluative opportunities, for example, to explore whether and how a SLO is in tension or alignment with other licenses, or to consider whether social, political or regulatory factors hold greater weight in certain cases.

This paper, therefore, aims to put SLO on the map, to situate it within its broader context of the complementary and competing risks and licenses that shape its operation and influence. The following sections offer illustrative evidence of this situation to explore several central research questions:

- What risks and licenses constitute the contemporary risk and licensing terrain and how do they relate to one another?
- How might the SAP Model help to interrogate the meaning, intersections and probable implications of the various risks and licenses theorized?
- What are the implications of the SAP framework for both SLO and CSR theory and praxis?

The paper commences with a review of recent developments in the theorization of SLO and related discussions about CSR, especially with reference to the frequently downplayed issues of power and politicality. The following section introduces and juxtaposes the suite of social, actuarial and political licenses and places them in Haines’ (2011) dynamic risk framework with a view to explain the diverse and often competing concerns and interplay among stakeholder groups. The ensuing discussion focuses on the consequences of this dynamic risk framework for understanding the set of licenses required by today’s M&E operations. Consideration is given in closing to opportunities for future research through employing the SAP Model.

2. Conflicted SLO/CSR theory and praxis

The term social license to operate was coined in 1997 by ex-Placer Dome executive Jim Cooney. The idea’s wide acceptance in today's M&E industry and beyond (see, for example, Hall et al., 2015; Lacey et al., 2014; Williams et al., 2007) led Cooney to quip recently that he wished he had trademarked the term (Leyne, 2014). While social licenses remain a metaphorical device (Bice, 2014), SLO expertise is increasingly being sought within industry to assist with the measurement and monitoring of firms’ social licenses (Prno and Slocombe, 2012). In recent years, growing and intensifying business-community conflicts over industrial development have resulted in project proponents, communities and governments placing greater emphasis on the “power, role and expectations” of social licenses (Bice and Moffat, 2014: 257). This situation has also catalyzed research into social license
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